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ABSTRACT

This manual was developed to help low-reading-level adults understand how the tax system works. It is not intended to teach them how to prepare their own taxes, but to be more familiar with the tax system and what is required of them. The manual is organized in 10 chapters that cover the following material: introduction to taxes; who files and who does not; working under the table versus formal employment; how the Internal Revenue Service defines an employee; types and sources of income; how income is reported; tax forms; making a mistake; state taxes; and choosing a tax preparer. Each chapter contains information followed by a quiz consisting of vocabulary, comprehension, and discussion. An answer key and glossary are included in the manual. Appendixes contain further information for teachers and tutors, sample tax forms, a list of Internal Revenue Service offices, and a list of eight reference sources. (KC)

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PLAIN TALK ON TAXES

2441

SP Schedule

A Curriculum About Taxes
Understanding Tax Reform:
Responsibilities and Advantages

1040

by

1040A

Elsie Goss-Caldwell, Project Director
Program Year 1987-88

W-2

PA40

1040X

State Taxes

Schedule B

Schedule A

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Office of Educational Research and Improvement
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To my students at St. Elizabeths and at the Presbyterian Hospital: "Thank you for all you have taught me!"

Dedication

This manual is dedicated to my parents John and Mary Goss.

They stressed that education is the key to opening many doors.

For various reasons both of my parents could not complete their education. My father was born and raised in the south and went only as far as the second grade; my mother went as far as the tenth grade.

Dad and Mom, Thank you.

To Yvette Walls, literacy teacher, wife, mother and B.B.W., also a person who believes in short people. Thanks, Yvette for believing in me (a non-short person).

Introduction

Dear Literacy Student,

The purpose of this manual is not necessarily to teach you how to prepare your own taxes, but simply to help you understand how the tax system works.

The tax system is complicated and involved, but it touches each and every one of us directly or indirectly.

Taxes are everywhere!

So, in preparing this manual, I have tried to address questions that you may have wanted to ask, and give you some insight into what the system is about.

Hopefully, this manual will let you become aware of your rights, duties and responsibilities as a taxpayer.

Elsie Goss-Caldwell
Tax Consultant &
Literacy Teacher

This booklet has been prepared to inform you about our tax system. It is not meant to advise you as to how the tax laws might apply to your own unique life and tax situation. If you have any questions about the tax law or your tax returns, you should find a qualified tax advisor.

Chapter 1

Taxes: An Introduction

Taxes: An Introduction

Our present tax system is a system whose primary objective is to raise revenue (money). Taxes are based on **Voluntary Compliance**. This means that the responsibility of filing a tax return is on you. Would you believe that the federal income tax began as a tax on the wealthy? Then, during World War II the government decided to let all of us share in filing income taxes. Until the late 1960s taxes were raised mainly to fight wars. Now the personal income tax supplies more than half of all federal revenue.

The **Internal Revenue Service (I.R.S.)** is the government agency that collects income tax. All that the Internal Revenue Service (I.R.S.) asks is that you:

1. File taxes on a timely basis (that is, file your return by April 15th).
2. Pay your fair share of taxes.
3. Determine the amount, if any, of your tax liability (what you owe).

The government trusts that you will report all income and pay your taxes accordingly. Again this goes back to Voluntary Compliance.

Chapter 1

Vocabulary

I. Root Words

Write the root word.

1. government ______________________
2. taxation ______________________
3. supplies ______________________
4. filing ______________________
5. compliance ______________________
6. personal ______________________
7. agencies ______________________
8. decided ______________________
9. liability ______________________
10. accordingly ______________________

II. Alphabetical Order

Arrange the following words in alphabetical order:

filing ______________

federal ______________

fight ______________

fair ______________

file ______________

III. Comprehension: Please answer in complete sentences.

1. What is the primary objective of the tax system?
2. What is Voluntary Compliance?
3. What are our duties and responsibilities as taxpayers?

IV. Discussion

Do you think tax revenue should be used to fight wars?

Chapter 2

Who Files/Who Doesn't File

Who Files/Who Doesn't File

The income tax laws of the United States are based on people's ability to pay.

How is the ability to pay determined?
The ability to pay taxes is determined by level of income and wealth.

The government places other taxes on all potential taxpayers. However, when all taxpayers are compared, the rich are often not the ones paying the highest taxes. Sometimes, due to distribution of wealth and tax 'loopholes' the rich often end up paying fewer taxes than the poor or middle income taxpayers.

'Loopholes' are provisions of the law which permit taxes to be lowered. With the Tax Reform Act of 1986, many of the loopholes that once existed have been wiped out all together or changed to some degree.

Individuals on welfare or receiving aid to families with dependent children (AFDC) are not required to report this income for tax purposes. These type of payments are called **transfer payments**. In general a transfer payment is a payment for which the recipient does not provide goods or services in order to obtain the funds. Transfer payment income is not earned, but is given as a result of government services provided by our tax dollars. Social Security benefits also belong to the transfer payment group.

Chapter 2

Vocabulary

I. Root Words

Write the root word.

1. distribution ____________________
2. provision ____________________
3. dependent ____________________
4. payment ____________________
5. recipient ____________________
6. required ____________________
7. richest ____________________
8. existed ____________________
9. security ____________________
10. wealthy ____________________
11. highest ____________________
12. families ____________________

II. Add er and est to these words

1. rich ______________ ______________
2. poor ______________ ______________
3. wealthy ______________ ______________
4. high ______________ ______________
5. few ______________ ______________
6. low ______________ ______________
7. tall ______________ ______________

III. Write the singular

1. funds ________
2. dollars ________
3. families ________
4. children ________
5. companies ________
6. purposes ________
7. states ________
8. taxes ________
9. sales ________
10. plans ________

IV. Comprehension

1. How are the income tax laws of the United States based?
2. How is the ability to pay taxes determined?
3. What are tax loopholes?
4. What is a transfer payment and who might receive one?

V. Discussion

Do you think it is a good idea not to tax transfer payments? Why or why not?

Chapter 3

Working "Under the Table"
vs.
Formal Employment

Working "Under the Table"
vs.
Formal Employment

Some individuals try to beat the system. By working "under the table" they are evading the payment of taxes.

Many consider this a "get over". But in essence they are losing out. They are not obeying the law. Getting paid "under the table" and not reporting your full income on your tax return is a very serious legal matter. YOU WILL BE SUBJECTED TO HEAVY FINANCIAL PENALTIES IF YOU DO THIS, AND COULD EVEN GO TO JAIL. The individual who works and gets paid under the table as opposed to working a regular job does have the one and only advantage of taking his money home without any taxes being deducted. But what about all the other advantages this "under the table" individual loses out on?

Unless this individual is an organized person, many benefits for the future will be lost. As an "under the table" worker there are no pension plans or health benefits unless the worker makes the payments. There is no paid sick or vacation time.

Next, who's paying the Social Security for the "under the table" employee? No one. This is an important factor to consider. When you reach the age of 65 and need Social Security as a source of income, your account will have no payments applied because none of your "under the table" income was contributed to social security.

This informal type of employment does not allow for workmen's compensation benefits, or unemployment compensation. If you are hurt on the job, it's your word against the person you've been working for. You may not receive any compensation. No job security exists in "under the table" employment.

Since your employer has not been filing Quarterly Payroll Tax reports to the I.R.S. and the state which indicate that you've been employed, you cannot collect any benefits. Unemployment compensation requires proof of employment. **You lose out.**

Now let's assume that you are working everyday for a company or individual "under the table". Suddenly you want to buy a home, open a charge account or just begin a credit history. One of the requirements for doing any of the above is to look at your past and present employment and sometimes at your past tax returns. But you can't provide proof of employment because you have no pay stubs, no tax returns. Problem? You have given time and energy, put in long hours and basically have nothing to show for it.

You have also allowed an employer not to pay his fair share of taxes. The business you work for does not have to file a 941 (Employer's Quarterly Federal Tax Return) where it lists the number of employees it pays per quarter. Nor does it have to file a UC-2 form (Employer's Report for Unemployment Compensation) to the state. The 941 form is sent to the federal government. When the employer withholds income tax (F.W.T.) from your pay and social security tax (F.I.C.A.) it is reported on this form.

Since you are paid "under the table" none of this information is being reported to the I.R.S. or the state. You've saved your employer a lot of time by eliminating this paper work for him. You've saved him money. Now he doesn't have to pay an accountant or bookkeeper to prepare the forms. He doesn't have to pay workman's compensation or unemployment compensation. However, these programs would benefit you as an employee.

Looking back on all that we've talked about, is "working under the table" the best way to be employed?

Think about it!

Chapter 3

Vocabulary

I. Root Words

Write the root word.

1. unemployment ____________________
2. formal ____________________
3. abiding ____________________
4. applied ____________________
5. basically ____________________
6. talked ____________________
7. quarter ____________________
8. eliminating ____________________
9. certainly ____________________
10. deducted ____________________
11. covered ____________________
12. working ____________________
13. responsible ____________________
14. compliance ____________________

II. Write the homonym.

1. there __________
2. to __________
3. not __________
4. by __________
5. one __________
6. no __________
7. your __________
8. him __________
9. buy __________
10. for __________
11. sent __________
12. way __________
13. here __________
14. sea __________

III. Comprehension - Please answer in complete sentences.

1. What is the one reason why some people want to work "under the table"?

2. List five benefits that may be lost if you work "under the table".

3. If you were hurt on the job, but were working "under the table", why wouldn't you receive workmen's compensation?

4. Why is it better to be formally employed rather than work "under the table" if you want to open a charge account?

IV. Discussion

As explained in this chapter, it is sometimes more advantageous for an employer to pay workers "under the table." Is this really better for the employee? Why?

Chapter 4

How the I.R.S. Defines an Employee

How the I.R.S. Defines an Employee

What makes you an employee? It is simply being hired by an individual to perform services and receive payment in return. Let's see what the I.R.S. has to say about your employee status:

If your boss tells you what time to report to work and what to do after you arrive, then you are considered to be an employee.

Two of the usual characteristics of this employer-employee relationship are that the employer:

1) provides a place to work and supplies the employee with equipment (typewriter, desk, tools, phone).

2) has the right to fire the employee.

You are also an employee if:

1. you are a driver who delivers meats, vegetables, fruit or bakery products. You may deliver beverages such as soda and beer but not milk. Maybe you pick up and deliver laundry or dry cleaning. If you are acting as an agent for the company or are paid on commission then you fit in this first category.

2. you are a full-time life insurance sales agent.

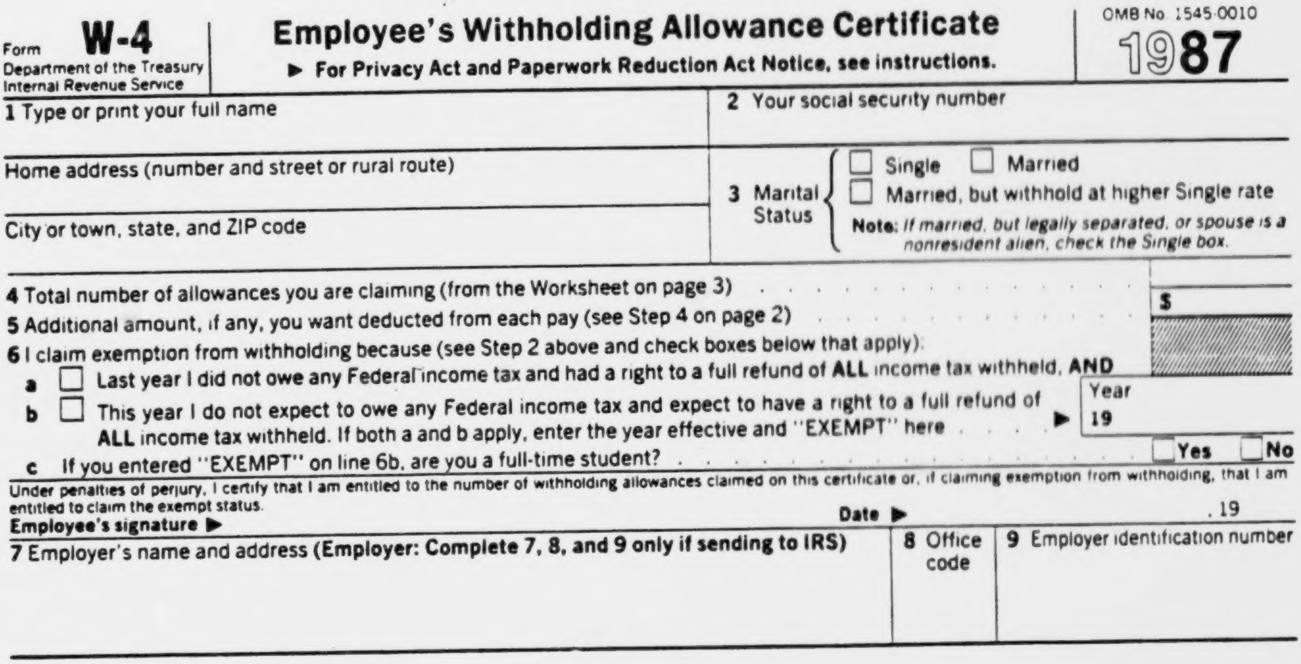
3. you work at home on materials or goods supplied by someone else and when finished they are returned to the same person.

4. you are a traveling salesperson.

Employers withhold income tax and social security tax from the wages of employees.

People who work for themselves are called **independent contractors**. What makes an individual an independent contractor? He or she is self-employed and doing some work for a business but not under the complete control of an employer. It is when the employer controls or directs only the result of the work but not how the work is actually accomplished. Employers must report to the I.R.S. payments of $600 or more. A copy of this form (1099) is also sent to the independent contractor.

When an individual starts a new job, he or she is required by law to fill out a **W-4 form**. A W-4 allows the employer to withhold the proper amount of taxes from the employee's earnings. The W-4 form is also very flexible. You may change this form at any time without being penalized. Exemptions or allowances may be added on or taken off. Marital status may also be changed. Changes simply involve going to the payroll or personnel department where you work and requesting a new W-4. Each time your W-4 is changed be sure to check your take home pay next pay period. Below is a copy of a W-4 form. Any questions concerning the completion of your W-4 should be directed to your payroll department, business manager or tax preparer.



Form **W-4**
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate

▶ **For Privacy Act and Paperwork Reduction Act Notice, see instructions.**

OMB No. 1545-0010

1987

1 Type or print your full name

2 Your social security number

Home address (number and street or rural route)

City or town, state, and ZIP code

3 Marital Status
☐ Single ☐ Married
☐ Married, but withhold at higher Single rate
Note: *If married, but legally separated, or spouse is a nonresident alien, check the Single box.*

4 Total number of allowances you are claiming (from the Worksheet on page 3) . . . .

5 Additional amount, if any, you want deducted from each pay (see Step 4 on page 2) . . . . $

6 I claim exemption from withholding because (see Step 2 above and check boxes below that apply):

a ☐ Last year I did not owe any Federal income tax and had a right to a full refund of **ALL** income tax withheld, **AND**

b ☐ This year I do not expect to owe any Federal income tax and expect to have a right to a full refund of **ALL** income tax withheld. If both a and b apply, enter the year effective and "EXEMPT" here . . . . ▶ Year 19

c If you entered "EXEMPT" on line 6b, are you a full-time student? . . . . ☐ **Yes** ☐ **No**

Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate or, if claiming exemption from withholding, that I am entitled to claim the exempt status.

Employee's signature ▶ **Date ▶** , 19

7 Employer's name and address (**Employer: Complete 7, 8, and 9 only if sending to IRS**)

8 Office code

9 Employer identification number

Employees can be paid on a weekly, bi-weekly or monthly basis. Each time employees are paid a stub is attached to their pay check.

A pay stub reflects number of hours worked. It also reflects the employee's gross wages and the amount of federal withholding tax (F.W.T.), social security (F.I.C.A.), state tax (P.I.T.), unemployment compensation (P.U.) and city wage tax (C.W.T.) deducted for that pay period. It also states the employee's net pay, or take home pay.

Pay check stubs should always be kept as a part of your record keeping process. Below is a copy of John Doe's pay stub. John is employed at the Walls Office Cleaning & Maintenance Company. He is paid on a bi-weekly basis (every two weeks). His gross salary is $500.00. John is married with 2 dependents. John claims 4 exemptions on his W-4.

Walls Cleaning and Maintenance

7289

EMP NO /DEPT	EMPLOYEE NAME	SOCIAL SECURITY NO	PERIOD BEG	PERIOD END	CHECK NO.
	John Doe	000-02-0000	7/25/ 88	8/05/88	7289

EARNINGS	HRS/UNITS	CURRENT AMOUNT	YEAR TO DATE	DEDUCTIONS	CURRENT AMOUNT	YEAR TO DATE
1500.00	80.00	500.00	20000.00	F.W.T.	70.00	280.00
				F.I.C.A.	37.50	150.00
				P.I.T.	10.50	42.00
				C.W.T.*	24.80	99.20
				PA.U.C.	.50	2.00

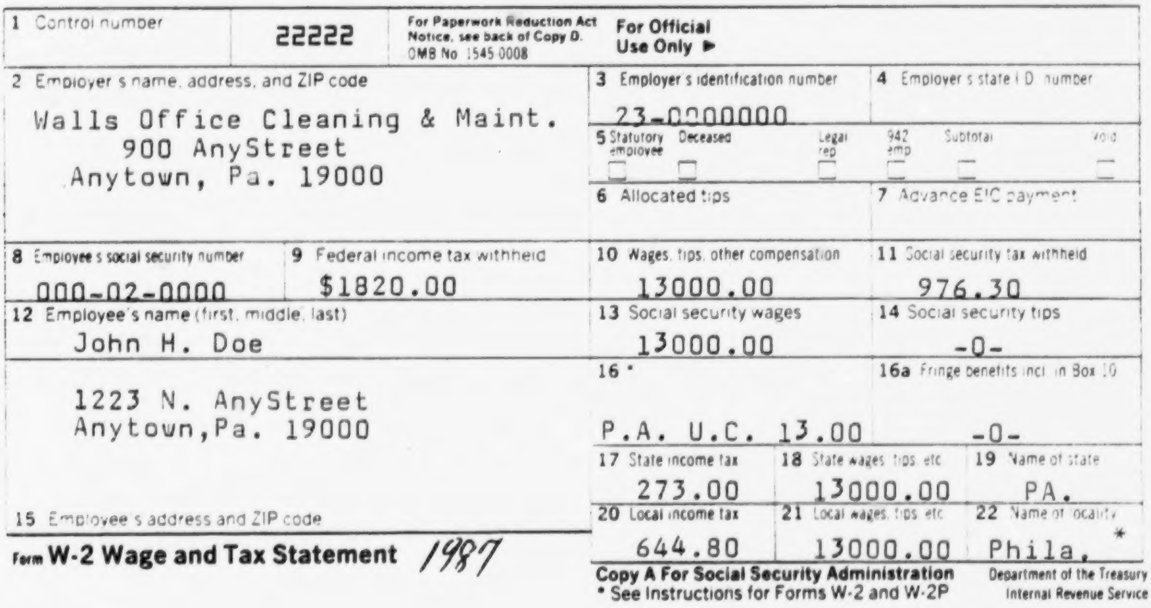
PAY RATE	CURRENT EARNINGS	CURRENT DEDUCTIONS	NET PAY	Y.T.D. EARNINGS	Y.T.D. DEDUCTIONS	Y.T.D. NET PAY
6.25	500.00	143.35	356.65	2000.00	573.20	1426.60

*John lives in Philadelphia. His rate for C.W.T. is 4.96%.

By January 31 of every year, every employee receives a W-2 form. A W-2 states the total amount earned for that particular job for the calendar year. It also states the total amount of federal withholding tax, social security, state tax, and city wage tax that were withheld for that year. The W-2 is completed with 4 copies. Copy A is sent by your employer to the Social Security Administration for your area. Copies B and C are for your use in preparing your taxes. Copy D remains at the office of your employer.

It is very important to save your W-2 forms. You will need them to prepare your income tax returns.

Below is a copy of John Doe's W-2. His W-2 shows total gross wages and total deductions for the year using 1988 percentages. (See glossary for more details about deductions and percentages.)



1 Control number 22222

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2 Employer's name, address, and ZIP code

Walls Office Cleaning & Maint.
900 AnyStreet
Anytown, Pa. 19000

3 Employer's identification number 23-0000000

4 Employer's state I D number

5 Statutory employee ☐ Deceased ☐ Legal rep ☐ 942 emp ☐ Subtotal ☐ Void ☐

6 Allocated tips

7 Advance EIC payment

8 Employee's social security number 000-02-0000

9 Federal income tax withheld $1820.00

10 Wages, tips, other compensation 13000.00

11 Social security tax withheld 976.30

12 Employee's name (first, middle, last)

John H. Doe

1223 N. AnyStreet
Anytown,Pa. 19000

15 Employee's address and ZIP code

13 Social security wages 13000.00

14 Social security tips -0-

16 * P.A. U.C. 13.00

16a Fringe benefits incl. in Box 10 -0-

17 State income tax 273.00

18 State wages, tips, etc 13000.00

19 Name of state PA.

20 Local income tax 644.80

21 Local wages, tips, etc 13000.00

22 Name of locality Phila. *

Form **W-2 Wage and Tax Statement** 1987

Copy A For Social Security Administration
*** See Instructions for Forms W-2 and W-2P**

Department of the Treasury
Internal Revenue Service

Chapter 4

Vocabulary

I. Root Words

Write the root word.

1. considered ______________________________
2. supplies ______________________________
3. characteristics ______________________________
4. different ______________________________
5. insurance ______________________________
6. categories ______________________________
7. classified ______________________________
8. cleaning ______________________________
9. equipment ______________________________
10. relationship ______________________________
11. driver ______________________________
12. independent ______________________________
13. contractors ______________________________
14. accomplished ______________________________

II. Vowel Sounds

Write the long vowel sound that you hear.

1. hire __________
2. fire __________
3. bake __________
4. phone __________
5. place __________
6. same __________
7. make __________
8. time __________
9. drive __________
10. sale __________

III. Silent E Practice - Read each pair of words. Compare vowel sounds and word meanings.

1. fat......fate
2. cut......cute
3. cap......cape
4. hat......hate
5. dim......dime
6. win......wine
7. cop......cope
8. cub......cube
9. not......note
10. tap......tape
11. us ...... use
12. ton......tone
13. rid......ride
14. rat......rate
15. rob......robe

IV. Comprehension - Please answer in complete sentences.

1. What qualifies a person to be considered an employee?

2. What are the two usual characteristics of the employer-employee relationship?

3. What makes an individual an independent contractor?

4. What form is an individual required to fill out when he or she becomes an employee?

5. As an employee, which form do you receive from your employer by January 31 of every year and what information is included on it? Please be specific.

V. Discussion

Do you see any advantages in being an employee as opposed to an independent contractor?

Chapter 5

Types and Sources of Income

Types and Sources of Income

Contrary to popular belief. not all income is taxable. In this chapter, we will talk about the types of income that are both taxable and nontaxable.

Below is a list of many **taxable** income sources:

1. Wages, salaries, bonuses and commissions are the most common sources of income. As a taxpayer you may earn this income through employment, as an outside salesperson, or as an incentive to do a better job.

2. Some fringe benefits (i.e. gift certificates, meals paid by an employer)

3. Tips (received by waitresses and waiters, hairdressers, delivery people, etc.) and other compensation for personal services

4. Interest earned from savings, checking, money market accounts, certificates of deposit (C.D.s)

5. Dividends earned from stocks and bonds

6. Refunds of state and city taxes (Only taxable if, when you filed your previous year's returns, you used state and city taxes as an itemized deduction to lower your tax liability).

7. Alimony or separate maintenance payments

8. Income from operating a business

9. A hobby that produces income

10. Money from the selling of property including stocks and bonds

11. Certain pensions and annuities

12. Rental income (Yes, the rent you pay each month is taxable to your landlord as income.)

13. Estate or trust income
14. Unemployment compensation
15. Railroad retirement benefits (part may be taxable)
16. Social Security benefits (Only part of these may be taxable.)
17. Jury duty fees (Yes, when you do your civic duty, you must include this income on your tax return)
18. Executor fees - (An individual who handles the affairs of the estate of a deceased person is an executor.)
19. Lottery winnings (Won that Big 4? Don't forget to report it to Uncle Sam.)
20. Gambling winnings! (After subtracting gambling losses)

So, what's left to be non-taxable? Here's a list of non-taxable income:

1. Gifts of money or property
2. Child Support
   In addition, child support is not a deduction to the individual paying the support.
3. Federal income tax refunds
4. Dividends received on veterans life insurance
5. Insurance and money received for injuries received as the result of an accident
6. Interest on certain state and local bonds
7. Most life insurance proceeds paid upon death
8. Public assistance payments (Welfare, A.F.D.C.)
9. Railroad retirement benefits (part or all may be exempt from tax
10. Social Security benefits (depending on marital status and amount of additional income apart from your benefits)
11. Veteran disability benefits
12. Workmen's compensation

In the preparation of your income tax return it is important to be able to determine what your sources of income are and whether they should be included on your tax return.

Income that is earned by you is considered to be your individual income. This is used for completing your taxes. However, total family income is used for applying for government financial aid (grants, scholarships and loans) for schools and colleges and acceptance in some job training programs. Total family income is all income from whatever sources that is brought into the household.

Chapter 5

Vocabulary

I. Root Words

Write the root word.

1. unearned
2. nontaxable
3. retirement
4. annuities
5. itemized
6. gambling
7. winnings
8. assistance
9. additional
10. disabilities
11. preparation
12. assessing
13. compensation
14. retirement

II. Spelling

Find the misspelled word on each line. Write the word correctly.

1.	waiters	waitreses	wages	business
2.	checking	estate	maintenence	previous
3.	retirment	insurance	benefits	exempt
4.	employment	deduction	anunities	pension
5.	compensation	addition	assistence	marital

6. prepare important recieved individual
7. fringe previous governement damage
8. taxable insentive itemized proceed

III. Comprehension: True or False

Write True or False next to each of the following statements.

Taxable income includes:

1. Tips __________
2. Money gained from selling property __________
3. Workmen's compensation __________
4. Public assistance payments __________
5. Gambling winnings __________
6. Most life insurance proceeds paid upon death __________
7. Jury duty fees __________
8. Social security benefits __________
9. Wages __________
10. Pensions and annuities __________
11. Unemployment compensation __________
12. Bonuses __________
13. Interest __________
14. Veteran's disability benefits __________
15. Hobby that produces income __________

IV. Discussion

Is it a good idea to keep records of all your financial matters? Why or why not?

Chapter 6

How Income Is Reported

How Income Is Reported

Ever wonder how the Internal Revenue Service knows just how much money we've earned for a given year? Your employer is required to send in what is known as a **W-3**: Transmittal of Income and Tax Statements. A W-3 is a statement showing the amount of federal income tax withheld. number of employees employed, total wages paid. social security tax withheld, and others employer related information. This form helps the I.R.S. keep a check on businesses.

Copy A of your W-2 is forwarded along with the W-3 to the Social Security Administration for your particular area. Since we live in the state of Pennsylvania our W-2's are forwarded to Wilkes Barre, PA. Copy D remains at the office of your employer. All others are given to you to use in preparation of your taxes. Some companies who use computers report the W-2 information on tapes.

Each employer who withholds income or Social Security tax must file what is known as a Form 941. A 941 is an Employer's Quarterly Federal Tax Return. It is due the last day of the month after each calendar quarter ends. For instance the first quarter consists of January, February and March. This quarter ends on March 31st. But your employer has until April 30th to file his 941. What happens if the due date falls on Saturday, Sunday or a holiday? The tax law gives your employer until the next regular workday to have the forms in their office.

When the company you work for went into business, the owner applied for an employer identification number (E.I.N.) from the I.R.S. This number is used on all I.R.S. forms filled out by the business, or for any correspondence between the business and the I.R.S. The number begins with a 23 and is followed by seven additional numbers. Some individuals in business simply refer to the E.I.N. as there 23 number

Chapter 6

Vocabulary

I. Root Words

Write the root word.

1. reported ______________________________
2. earned ______________________________
3. required ______________________________
4. statement ______________________________
5. information ______________________________
6. forwarded ______________________________
7. preparation ______________________________
8. identification ______________________________
9. referred ______________________________
10. applies ______________________________
11. decided ______________________________
12. employer ______________________________
13. information ______________________________
14. security ______________________________

II. Alphbetical Order

Arrange each set of words in alphabetical order

I

taxpayer ________

office ________

employer ________

II

must ________

media ________

micro ________

III

defend ________

defense ________

demand ________

four ________

number ________

business ________

computer ________

March ________

money ________

simply ________

since ________

III. Comprehension - Please answer in complete sentences.

1. Who is required to send in W-3: Transmittal of Income Tax Statements to the federal government?

2. What information is on the W-3 and what does it help the I.R.S. do?

3. What is a 941 form and who must file one?

4. How can the I.R.S. tell one employer from another. even though some companies may have the same names?

IV. Discussion

Do you think the system for reporting income to the I.R.S. is necessary? Why or why not?

Chapter 7

Forms! Forms!

Forms!

Which Form Should
I Use?
Which One is Right
for Me?

1040 EZ? 1040?

Schedule A? 1040 A ?

2441? 2106?

Which Form Should I Use? Which One is Right for Me.

Now that you've learned how your income is reported and what type of income to report, the next question is, "What form or forms should you use to report your taxes to the I.R.S.?"

1040 EZ

You can use form **1040 EZ** if you are single, have no dependents, have interest income of $400 or less, and your taxable income is less than $50,000. This is by far the simplest of all the I.R.S. forms.

Information supplied on this form consists of your name, address, city, state and social security number. Remember to insert your social security number on any form that you use. This is important. Failure to include your social security number on any tax return will subject you to penalties.

Next you report your wages, and any taxable interest income you may have. This determines your **Adjusted Gross Income**. To find your "taxable income," enter the amount of tax withheld from your W-2. Next, you subtract your **personal exemptions** ($1900 for tax year 1987). You then look at the tax tables in the tax booklet you received from I.R.S. to find your tax.

If the sufficient amount of taxes has been withheld you will receive a refund or break even with the I.R.S. If an insufficient amount of taxes has been withheld, you will owe Uncle Sam more money.

Now you have completed your return. Remember to sign and date it.

1040 A

After the 1040EZ form comes the 1040A. Some people call this the short form. It is pink in color as opposed to the green and white of 1040EZ.

In order to use the 1040A your taxable income still should be **under $50,000**. Normally your income is from wages, tips, salaries, interest, dividends, or unemployment compensation.

The 1040A is a step up in complexity from 1040EZ. On the 1040A the I.R.S. allows you to take deductions for Individual Retirement Account **(I.R.A.)** payments if you and your spouse qualify. It also allows you credit for child and dependent care expenses (babysitting, home care nursing) if you qualify. If your interest and dividend income total more than $400.00, you may still use the short form.

You also use form 1040A if you have dependents. Before the 1986 Tax Reform Act you were also allowed to take a deduction (Schedule W) for a married couple when both worked. This is no longer allowed. Deductions for charitable contributions are no longer allowed on a 1040A, but they are allowed on a 1040 if you itemize your deductions.

In order to use a 1040A you must also determine your filing status. There are five different types of filing status. The first four are as follows:

1. **Single** - you've never been married or are divorced or widowed.

2. **Married** - filing a joint return.

This status combines the income of both working people to get a better tax break. But suppose a wife doesn't work and a husband does work, or vice-versa? The couple can still file jointly because filing jointly does not necessarily mean both husband and wife are working. Even if they lived apart but still want to file the tax return together, it is legal.

Remember that since both partners must sign the "married filing jointly" return, you are both responsible for the tax and any penalties due on the joint return.

3. **Married Filing Separate Return** This type of filing status causes the highest tax liability. Generally, individuals use this status when they do not want to be responsible for each other's tax liability, or when the husband and wife are separated and one partner refuses to file a joint return.

The government, in a sense, penalizes you for filing using this status because your tax liability is higher than if you filed a joint return. One reason for this is the government unofficially would like for the American tradition of family and cohesiveness to prevail. So once you begin to file taxes as married filing separately, you have broken tradition.

4. **Head of Household** - To qualify as head of household you must have been unmarried on the last day of the year or have lived apart from your spouse for the last six months of the year (July 1-December 31). Also you must have a dependent. Head of household filing status gives you better rates than married filing separate or as a single filer.

1040

Now let's go on to the most complex of all the I.R.S. forms, the **1040**. Use of the 1040 allows for more deductions, if you qualify. Some people must use the 1040 depending on their source of income.

Your 1040 requires the same general information at the top as does the 1040 EZ and 1040A: name, address, city, state and social security number.

In addition to the other filing statuses already discussed, there is a fifth filing status that can be used on your 1040. It is:

Qualifying widow/widower with a dependent child To qualify for this status the taxpayer must not have remarried and in addition must meet **all** of these tests:

a.) could have filed a joint return with their spouse in the year that the spouse died

b.) have a dependent child or children living in the household

c.) paid more than half the cost of keeping a household for the child or children the entire year

In the next section of the 1040, you must begin to list your **exemptions**.

Now you ask, what is an exemption?

Exemptions help to reduce your taxable income. For the year 1987 each exemption that you were allowed to claim was worth $1,900.

There are two types of exemptions:

a. **personal exemptions**: These are exemptions that you claim for you or your spouse.
b. **dependency exemptions**: These are claimed only for the person who qualify as your dependents.

Prior to 1986, if an individual were over 65 and or blind he could claim an additional exemption for himself or his spouse. Now the **standard deduction** for those taxpayers is higher. Standard deduction is the amount according to your filing status that the I.R.S. allows to be subtracted from your adjusted gross income.

Remember all dependents over the age of five must have a Social Security number and it must be listed on the tax forms. How does an individual qualify to be considered your dependent?

Actually there are five tests to determine if a taxpayer may claim an individual dependent:

1. Support Test

2. Gross Income Test

3. Member of Household or Relationship Test

4. Citizenship Test

5. Joint Return Test

A tax preparer can give you information about these tests. (See Chapter 10)

In the next section of the 1040 the taxpayer lists all taxable income. All income from whatever sources should be placed on the proper lines, then totaled on line 22.

Now you're ready to make **adjustments** to your income. Adjustments are always subtracted from the amount of your total income. They may include such items as IRA contributions, certain unreimbursed employee business expenses, or alimony paid by you to another individual.

In order to compute the tax we need to fill in our standard deduction or determine our eligibility for **itemized deductions**.

Itemized deductions, reported on Schedule A, can include a percentage of medical and dental expenses, state and local taxes, real estate taxes, interest expenses. mortgage interest (car loans, Visa etc.), charitable contributions, casualty and theft losses and miscellaneous deductions such as union dues, tax preparation fee and uniform maintenance.

Your itemized deductions or standard deduction (whichever you qualify to use) help to lower your taxable income. Taxpayers itemize only when their expenses are larger than their standard deduction.

Tax credits are different from itemized deductions because itemized deductions lower your taxable income while credits lower your actual tax. Credits reduce your tax liability dollar for dollar. Credits left after the 1986 Tax Reform Act are credit for child and dependent care expenses (form 2441), and credit for the elderly or for the permanently and totally disabled (Schedule R).

As a employee you have already paid in towards your federal tax liability by having tax withheld each pay period. If you are self-employed you should be paying estimated tax payments on a quarterly basis. By subtracting any tax payments you have paid in through withholding or estimated payments, you will determine whether you owe additional tax or will receive a refund.

The **Earned Income Credit** is considered to be another payment of taxes. If your earned income and your adjusted gross income are both less than $15,432 and you have a child, you may be eligible for Earned Income Credit. This child must have lived with you for six months or more during the year. You may qualify for an additional credit of up to $851.00. If your income is so low that you have no tax liability, you can still get money back from the I.R.S. if you qualify for and use the Earned Income Credit. In addition, your status must be married filing a joint return, qualifying widow/widower with dependent child, or head of household. Taxpayers filing married separately are normally not eligible for the earned income credit. If you'd like to receive your earned income credit in advance, you should fill out form **W-5 Earned Income Credit** Advance Payment Certificate. The bottom part goes to you employer. You keep the top for your records.

What follows next are samples of the 1040EZ, and 1040A forms filled out according to the directions.

(See Appendix B, for blank samples of the 1040EZ, 1040A, Schedule 1, 1040, Schedule A, Schedule B, 2441)

What follows is a sample 1040EZ filled out for Mary L. Doe for 1987. Her gross pay for the year on Line 1 is $13,000.00. On line 2, she has $150.00 of interest income from her savings account. On line 3, she added her gross income to her interest income so her adjusted gross income is $13,150.00. In the box for the question on line 4, Mary checked "No" and entered the standard deduction of $2,540.00 on line 4. Line 5 totals 10,610.00 when line 4 is subtracted from line 3. Since she checked the "No" box on line 4, Mary can now enter $1,900.00 for a personal exemption on line 6. The instructions now say to subtract line 6 frome line 5 and, if line 6 is larger than line 5, enter 0 on line 7. This is your taxable income. For Mary, line 6 was not larger than line 7. It was much lower. Mary subtracted line 6 from line 5 she entered $8,710.00 on line 7. This amount is her taxable income.

On line 8 Mary entered the federal income tax withheld from her earnings as indicated on Box 9 of her W-2. Using the single column on the tax table in her 1040EZ/1040A instruction booklet (a copy of the tax table Mary used follows her 1040EZ), Mary found the tax for the taxable income to be $1,237.00 so she indicated this on line 9. Now she can compare the total amount of federal taxes actually withheld from her pay for the year on line 8, with the amount taken from the tax table entered on line 9. As you can see line 8 is larger than line 9 so Mary can subtract line 9 from line 8. The amount of $583.00 is her refund. If, however, line 9 was larger than line 8, line 8 would be subtracted from line 9. That amount would be owed to IRS.

Department of the Treasury · Internal Revenue Service

Form **1040EZ** **Income Tax Return for Single filers with no dependents** **1987**

OMB No. 1545-0675

Name & address

Use the IRS mailing label. If you don't have one, please print.

MAry L. Doe
1223 N. ANY STreeT
ANY, TowN, PA. 19000

Please print your numbers like this: 0 1 2 3 4 5 6 7 8 9

Your social security number: 000 01 0000

Please read the instructions for this form on the reverse side.

Presidential Election Campaign Fund
Do you want $1 to go to this fund? Note: Checking "Yes" will not change your tax or reduce your refund. ▶

Report your income	1	Total wages, salaries, and tips. This should be shown in Box 10 of your W-2 form(s). (Attach your W-2 form(s).)	1	13 000 00
	2	Taxable interest income of $400 or less. If the total is more than $400, you cannot use Form 1040EZ.	2	150 00
Attach Copy B of Form(s) W-2 here	3	Add line 1 and line 2. This is your **adjusted gross income.**	3	13 150 00
	4	Can you be claimed as a dependent on another person's return? ☐ Yes. Do worksheet on back; enter amount from line E here. ☑ No. Enter 2,540 as your standard deduction.	4	2 540 00
	5	Subtract line 4 from line 3.	5	10 610 00
	6	If you checked the "Yes" box on line 4, enter 0. If you checked the "No" box on line 4, enter 1,900. This is your **personal exemption.**	6	1 900 00
	7	Subtract line 6 from line 5. If line 6 is larger than line 5, enter 0 on line 7. This is your **taxable income.**	7	8 710 00
Figure your tax	8	Enter your Federal income tax withheld. This should be shown in Box 9 of your W-2 form(s).	8	* 1 820 00
	9	Use the **single** column in the tax table on pages 32-37 of the Form 1040A instruction booklet to find the **tax** on the amount shown on **line 7** above. Enter the amount of tax.	9	1 237 00
Refund or amount you owe	10	If line 8 is larger than line 9, subtract line 9 from line 8. Enter the **amount of your refund.**	10	583 00
Attach tax payment here	11	If line 9 is larger than line 8, subtract line 8 from line 9. Enter the **amount you owe.** Attach check or money order for the full amount, payable to "Internal Revenue Service."	11	

Sign your return

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and complete.

Your signature Date

* F.W.T. is based on 1988 Circular E, Employer's Tax Guide. MAY differ if Percentage Formula is used by Employer for witholding tax. Based on zero witholding Allowance Taken from W-4.

For Privacy Act and Paperwork Reduction Act Notice, see page 31. Form **1040EZ** (1987)

1987 Tax Table—*Continued*

If line 36 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing sepa-rately	Head of a house-hold
		Your tax is—			
5,000					
5,000	**5,050**	682	634	694	654
5,050	**5,100**	689	641	701	661
5,100	**5,150**	697	649	709	669
5,150	**5,200**	704	656	716	676
5,200	**5,250**	712	664	724	684
5,250	**5,300**	719	671	731	691
5,300	**5,350**	727	679	739	699
5,350	**5,400**	734	686	746	706
5,400	**5,450**	742	694	754	714
5,450	**5,500**	749	701	761	721
5,500	**5,550**	757	709	769	729
5,550	**5,600**	764	716	776	736
5,600	**5,650**	772	724	784	744
5,650	**5,700**	779	731	791	751
5,700	**5,750**	787	739	799	759
5,750	**5,800**	794	746	806	766
5,800	**5,850**	802	754	814	774
5,850	**5,900**	809	761	821	781
5,900	**5,950**	817	769	829	789
5,950	**6,000**	824	776	836	796
6,000					
6,000	**6,050**	832	784	844	804
6,050	**6,100**	839	791	851	811
6,100	**6,150**	847	799	859	819
6,150	**6,200**	854	806	866	826
6,200	**6,250**	862	814	874	834
6,250	**6,300**	869	821	881	841
6,300	**6,350**	877	829	889	849
6,350	**6,400**	884	836	896	856
6,400	**6,450**	892	844	904	864
6,450	**6,500**	899	851	911	871
6,500	**6,550**	907	859	919	879
6,550	**6,600**	914	866	926	886
6,600	**6,650**	922	874	934	894
6,650	**6,700**	929	881	941	901
6,700	**6,750**	937	889	949	909
6,750	**6,800**	944	896	956	916
6,800	**6,850**	952	904	964	924
6,850	**6,900**	959	911	971	931
6,900	**6,950**	967	919	979	939
6,950	**7,000**	974	926	986	946
7,000					
7,000	**7,050**	982	934	994	954
7,050	**7,100**	989	941	1,001	961
7,100	**7,150**	997	949	1,009	969
7,150	**7,200**	1,004	956	1,016	976
7,200	**7,250**	1,012	964	1,024	984
7,250	**7,300**	1,019	971	1,031	991
7,300	**7,350**	1,027	979	1,039	999
7,350	**7,400**	1,034	986	1,046	1,006
7,400	**7,450**	1,042	994	1,054	1,014
7,450	**7,500**	1,049	1,001	1,061	1,021
7,500	**7,550**	1,057	1,009	1,069	1,029
7,550	**7,600**	1,064	1,016	1,076	1,036
7,600	**7,650**	1,072	1,024	1,084	1,044
7,650	**7,700**	1,079	1,031	1,091	1,051
7,700	**7,750**	1,087	1,039	1,099	1,059
7,750	**7,800**	1,094	1,046	1,106	1,066
7,800	**7,850**	1,102	1,054	1,114	1,074
7,850	**7,900**	1,109	1,061	1,121	1,081
7,900	**7,950**	1,117	1,069	1,129	1,089
7,950	**8,000**	1,124	1,076	1,136	1,096

If line 36 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing sepa-rately	Head of a house-hold
		Your tax is—			
8,000					
8,000	**8,050**	1,132	1,084	1,144	1,104
8,050	**8,100**	1,139	1,091	1,151	1,111
8,100	**8,150**	1,147	1,099	1,159	1,119
8,150	**8,200**	1,154	1,106	1,166	1,126
8,200	**8,250**	1,162	1,114	1,174	1,134
8,250	**8,300**	1,169	1,121	1,181	1,141
8,300	**8,350**	1,177	1,129	1,189	1,149
8,350	**8,400**	1,184	1,136	1,196	1,156
8,400	**8,450**	1,192	1,144	1,204	1,164
8,450	**8,500**	1,199	1,151	1,211	1,171
8,500	**8,550**	1,207	1,159	1,219	1,179
8,550	**8,600**	1,214	1,166	1,226	1,186
8,600	**8,650**	1,222	1,174	1,234	1,194
8,650	**8,700**	1,229	1,181	1,241	1,201
8,700	**8,750**	1,237	1,189	1,249	1,209
8,750	**8,800**	1,244	1,196	1,256	1,216
8,800	**8,850**	1,252	1,204	1,264	1,224
8,850	**8,900**	1,259	1,211	1,271	1,231
8,900	**8,950**	1,267	1,219	1,279	1,239
8,950	**9,000**	1,274	1,226	1,286	1,246
9,000					
9,000	**9,050**	1,282	1,234	1,294	1,254
9,050	**9,100**	1,289	1,241	1,301	1,261
9,100	**9,150**	1,297	1,249	1,309	1,269
9,150	**9,200**	1,304	1,256	1,316	1,276
9,200	**9,250**	1,312	1,264	1,324	1,284
9,250	**9,300**	1,319	1,271	1,331	1,291
9,300	**9,350**	1,327	1,279	1,339	1,299
9,350	**9,400**	1,334	1,286	1,346	1,306
9,400	**9,450**	1,342	1,294	1,354	1,314
9,450	**9,500**	1,349	1,301	1,361	1,321
9,500	**9,550**	1,357	1,309	1,369	1,329
9,550	**9,600**	1,364	1,316	1,376	1,336
9,600	**9,650**	1,372	1,324	1,384	1,344
9,650	**9,700**	1,379	1,331	1,391	1,351
9,700	**9,750**	1,387	1,339	1,399	1,359
9,750	**9,800**	1,394	1,346	1,406	1,366
9,800	**9,850**	1,402	1,354	1,414	1,374
9,850	**9,900**	1,409	1,361	1,421	1,381
9,900	**9,950**	1,417	1,369	1,429	1,389
9,950	**10,000**	1,424	1,376	1,436	1,396
10,000					
10,000	**10,050**	1,432	1,384	1,444	1,404
10,050	**10,100**	1,439	1,391	1,451	1,411
10,100	**10,150**	1,447	1,399	1,459	1,419
10,150	**10,200**	1,454	1,406	1,466	1,426
10,200	**10,250**	1,462	1,414	1,474	1,434
10,250	**10,300**	1,469	1,421	1,481	1,441
10,300	**10,350**	1,477	1,429	1,489	1,449
10,350	**10,400**	1,484	1,436	1,496	1,456
10,400	**10,450**	1,492	1,444	1,504	1,464
10,450	**10,500**	1,499	1,451	1,511	1,471
10,500	**10,550**	1,507	1,459	1,519	1,479
10,550	**10,600**	1,514	1,466	1,526	1,486
10,600	**10,650**	1,522	1,474	1,534	1,494
10,650	**10,700**	1,529	1,481	1,541	1,501
10,700	**10,750**	1,537	1,489	1,549	1,509
10,750	**10,800**	1,544	1,496	1,556	1,516
10,800	**10,850**	1,552	1,504	1,564	1,524
10,850	**10,900**	1,559	1,511	1,571	1,531
10,900	**10,950**	1,567	1,519	1,579	1,539
10,950	**11,000**	1,574	1,526	1,586	1,546

If line 36 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing sepa-rately	Head of a house-hold
		Your tax is—			
11,000					
11,000	**11,050**	1,582	1,534	1,594	1,554
11,050	**11,100**	1,589	1,541	1,601	1,561
11,100	**11,150**	1,597	1,549	1,609	1,569
11,150	**11,200**	1,604	1,556	1,616	1,576
11,200	**11,250**	1,612	1,564	1,624	1,584
11,250	**11,300**	1,619	1,571	1,631	1,591
11,300	**11,350**	1,627	1,579	1,639	1,599
11,350	**11,400**	1,634	1,586	1,646	1,606
11,400	**11,450**	1,642	1,594	1,654	1,614
11,450	**11,500**	1,649	1,601	1,661	1,621
11,500	**11,550**	1,657	1,609	1,669	1,629
11,550	**11,600**	1,664	1,616	1,676	1,636
11,600	**11,650**	1,672	1,624	1,684	1,644
11,650	**11,700**	1,679	1,631	1,691	1,651
11,700	**11,750**	1,687	1,639	1,699	1,659
11,750	**11,800**	1,694	1,646	1,706	1,666
11,800	**11,850**	1,702	1,654	1,714	1,674
11,850	**11,900**	1,709	1,661	1,721	1,681
11,900	**11,950**	1,717	1,669	1,729	1,689
11,950	**12,000**	1,724	1,676	1,736	1,696
12,000					
12,000	**12,050**	1,732	1,684	1,744	1,704
12,050	**12,100**	1,739	1,691	1,751	1,711
12,100	**12,150**	1,747	1,699	1,759	1,719
12,150	**12,200**	1,754	1,706	1,766	1,726
12,200	**12,250**	1,762	1,714	1,774	1,734
12,250	**12,300**	1,769	1,721	1,781	1,741
12,300	**12,350**	1,777	1,729	1,789	1,749
12,350	**12,400**	1,784	1,736	1,796	1,756
12,400	**12,450**	1,792	1,744	1,804	1,764
12,450	**12,500**	1,799	1,751	1,811	1,771
12,500	**12,550**	1,807	1,759	1,819	1,779
12,550	**12,600**	1,814	1,766	1,826	1,786
12,600	**12,650**	1,822	1,774	1,834	1,794
12,650	**12,700**	1,829	1,781	1,841	1,801
12,700	**12,750**	1,837	1,789	1,849	1,809
12,750	**12,800**	1,844	1,796	1,856	1,816
12,800	**12,850**	1,852	1,804	1,864	1,824
12,850	**12,900**	1,859	1,811	1,871	1,831
12,900	**12,950**	1,867	1,819	1,879	1,839
12,950	**13,000**	1,874	1,826	1,886	1,846
13,000					
13,000	**13,050**	1,882	1,834	1,894	1,854
13,050	**13,100**	1,889	1,841	1,901	1,861
13,100	**13,150**	1,897	1,849	1,909	1,869
13,150	**13,200**	1,904	1,856	1,916	1,876
13,200	**13,250**	1,912	1,864	1,924	1,884
13,250	**13,300**	1,919	1,871	1,931	1,891
13,300	**13,350**	1,927	1,879	1,939	1,899
13,350	**13,400**	1,934	1,886	1,946	1,906
13,400	**13,450**	1,942	1,894	1,954	1,914
13,450	**13,500**	1,949	1,901	1,961	1,921
13,500	**13,550**	1,957	1,909	1,969	1,929
13,550	**13,600**	1,964	1,916	1,976	1,936
13,600	**13,650**	1,972	1,924	1,984	1,944
13,650	**13,700**	1,979	1,931	1,991	1,951
13,700	**13,750**	1,987	1,939	1,999	1,959
13,750	**13,800**	1,994	1,946	2,006	1,966
13,800	**13,850**	2,002	1,954	2,014	1,974
13,850	**13,900**	2,009	1,961	2,021	1,981
13,900	**13,950**	2,017	1,969	2,029	1,989
13,950	**14,000**	2,024	1,976	2,036	1,996

* This column must also be used by a qualifying widow(er).

Continued on next page

Now let's take a brief look at a tax return filled out for Mary after she married John Doe and has 2 children. Since Mary is married, she and John are filing a joint return on a 1040A. This year John worked and Mary did not. Their return shows 4 exemptions, one for John, one for Mary and one for each of their two dependent children. As a result of this, the amount of personal exemptions increases from 1,900 for 1 single person to 4 times $1,900 or $7,600 for a family of 4. Since their adjusted gross income is less than $15,432, Mary and John are also eligible for earned income credit. This increases the amount of their refund. (a copy of a Earned Income Credit Table follows the 1040 A form) So, as you can see, although John's salary is the same as Mary's was when she filed single, as a family, their tax refund is larger.

Form
1040A

Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return 1987

OMB No. 1545-0085

Step 1
Label

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial): John H. & Mary L.
Last name: Doe
Present home address (number and street). (If you have a P.O. Box, see page 9 of the instructions.): 1223 N. ANY STREET
City, town or post office, state, and ZIP code: ANYTOWN, Pa. 19000

Your social security no.: 000 02 0000
Spouse's social security no.: 000 01 0000

For Privacy Act and Paperwork Reduction Act Notice, see page 31.

Presidential Election Campaign Fund

Do you want $1 to go to this fund? ☒ Yes ☐ No
If joint return, does your spouse want $1 to go to this fund? ☒ Yes ☐ No

Note: *Checking "Yes" will not change your tax or reduce your refund.*

Step 2
Check your filing status
(Check only one)

1 ☐ Single (See if you can use Form 1040EZ.)
2 ☒ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security number above and spouse's full name here. ______
4 ☐ Head of household (with qualifying person). If the qualifying person is your child but not your dependent, enter this child's name here. ______

Step 3
Figure your exemptions
(See page 12 of instructions.)

Caution: If you can be claimed as a dependent on another person's tax return (such as your parents' return), do not check box 5a. But be sure to check the box on line 14b on page 2.

5a ☒ Yourself 5b ☒ Spouse

No. of boxes checked on 5a and 5b: 2

c **Dependents:**

1. Name (first, initial, and last name)	2. Check if under age 5	3. If age 5 or over, dependent's social security number	4. Relationship	5. No. of months lived in your home in 1987
Keisha Doe		000 03 0000	Daughter	12
*Kenneth A. Doe	✓		SON	10

If more than 7 dependents, attach statement.

No. of children on 5c who lived with you: 2
No. of children on 5c who didn't live with you due to divorce or separation: 0
No. of parents listed on 5c: 0
No. of other dependents listed on 5c: 0

Attach Copy B of Form(s) W-2 here.

d If your child didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here ▶ ☐
e Total number of exemptions claimed. (Also complete line 16.)
Add numbers entered on lines above: 4

Step 4
Figure your total income

Attach check or money order here.

6 Wages, salaries, tips, etc. This should be shown in Box 10 of your W-2 form(s). (Attach Form(s) W-2.) 6 13000 —
7a **Taxable** interest income (see page 17). (If over $400, also complete and attach Schedule 1, Part II.) 7a 150 —
b **Tax-exempt** interest income (see page 17). (DO NOT include on line 7a.) 7b
8 Dividends. (If over $400, also complete and attach Schedule 1, Part III.) 8 -0- —
9 Unemployment compensation (insurance) from Form(s) 1099-G. 9 -0- —
10 Add lines 6, 7a, 8, and 9. Enter the total. This is your **total income.** ▶ 10 13150 —

Step 5
Figure your adjusted gross income

11a Your IRA deduction from applicable Worksheet. New rules for IRAs begin on page 18. 11a —
b Spouse's IRA deduction from applicable Worksheet. New rules for IRAs begin on page 18. 11b —
c Add lines 11a and 11b. Enter the total. These are your **total adjustments.** 11c -0-
12 Subtract line 11c from line 10. Enter the result. This is your **adjusted gross income.** (If this line is less than $15,432 and a child lived with you, see "Earned Income Credit" (line 21b) on page 27 of instructions.) ▶ 12 13150 —

* Kenneth Doe was born in February 1987. He is 10 months old and does not need a SS# because he is a dependent child under 5 years of age

Step 6
Figure your standard deduction,

13 Enter the amount from line 12. 13 13150 —

14a Check if: ☐ You were 65 or over ☐ Blind ☐ **Spouse** was 65 or over ☐ Blind } **Enter number of boxes checked** ▶ 14a ☐

b If you can be claimed as a dependent on another person's return (such as your parents' return), check here . . . . ▶ 14b ☐

c If you are married filing separately and your spouse files Form 1040 and itemizes deductions, check here . . . . ▶ 14c ☐

d **Standard deduction.** If you checked a box on line 14a, b, or c, see page 22 for amount to enter on line 14d. If no box is checked, enter amount shown below for your filing status.

Filing status from page 1 { Single or Head of household, enter $2,540
Married filing joint return, enter $3,760
Married filing separate return, enter $1,880 } 14d 3760 —

Exemption amount, and

15 Subtract line 14d from line 13. Enter the result. 15 9390 —

16 Multiply $1,900 by the total number of exemptions claimed on line 5e. Or, figure your exemption amount from the chart on page 24 of the instructions. X4 16 7600 —

Taxable income

17 Subtract line 16 from line 15. Enter the result. This is your **taxable income**. ▶ 17 1790 —

If You Want IRS To Figure Your Tax, See Page 24 of the Instructions.

Step 7
Figure your tax, credits, and payments (including advance EIC payments)

Caution: If you are under age 14 and have more than $1,000 of investment income, see page 24 of the instructions and check here . . . . ▶ ☐

18 Find the tax on the amount on line 17. Check if from: ☒ Tax Table (pages 32–37); or ☐ Form 8615, Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than $1,000. 18 197 —

19 Credit for child and dependent care expenses. Complete and attach Schedule 1, Part I. 19 -0-

20 Subtract line 19 from line 18. Enter the result. (If line 19 is more than line 18, enter -0- on line 20.) This is your **total tax**. ▶ 20 197 —

21a Total Federal income tax withheld. This should be shown in Box 9 of your W-2 form(s). (If line 6 is more than $43,800, see page 26.) 21a 1820 —

b Earned income credit, from the worksheet on page 28 of the instructions. Also see page 27. 21b 227 —

22 Add lines 21a and 21b. Enter the total. These are your **total payments**. ▶ 22 2047 —

Step 8
Figure your refund or amount you owe

23 If line 22 is larger than line 20, subtract line 20 from line 22. Enter the result. This is the **amount of your refund**. 23 1850 —

24 If line 20 is larger than line 22, subtract line 22 from line 20. Enter the result. This is the **amount you owe**. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number, daytime phone number, and "1987 Form 1040A" on it. 24 -0-

Step 9
Sign your return

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature: X John H. Doe Date: 3-12-88 Your occupation: MAINT. MAN

Spouse's signature (if joint return, both must sign): X Mary L. Doe Date: 3-12-88 Spouse's occupation: Housewife

Paid preparer's use only

Preparer's signature: X Date: Preparer's social security no.:

Firm's name (or yours if self-employed): Employer identification no.:

Address and ZIP code: Check if self-employed ☐

1987 Earned Income Credit Table

Caution: This Is Not a Tax Table

To find your earned income credit: Read down the column titled "If line 3 or 4 of the worksheet is—" and find the appropriate amount from the Earned Income Credit Worksheet on page 19. Read across to the right and find the amount of the earned income credit. Enter that amount on line 5 or 6 of the worksheet, whichever applies.

If line 3 or 4 of the worksheet is—		Your earned income credit is—	If line 3 or 4 of the worksheet is—		Your earned income credit is—	If line 3 or 4 of the worksheet is—		Your earned income credit is—	If line 3 or 4 of the worksheet is—		Your earned income credit is—	If line 3 or 4 of the worksheet is—		Your earned income credit is—
At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than	
$0	$25	$2	$1,600	$1,625	$226	$3,200	$3,225	$450	$4,800	$4,825	$674	$7,225	$7,250	$819
25	50	5	1,625	1,650	229	3,225	3,250	453	4,825	4,850	677	7,250	7,275	817
50	75	9	1,650	1,675	233	3,250	3,275	457	4,850	4,875	681	7,275	7,300	814
75	100	12	1,675	1,700	236	3,275	3,300	460	4,875	4,900	684	7,300	7,325	812
100	125	16	1,700	1,725	240	3,300	3,325	464	4,900	4,925	688	7,325	7,350	809
125	150	19	1,725	1,750	243	3,325	3,350	467	4,925	4,950	691	7,350	7,375	807
150	175	23	1,750	1,775	247	3,350	3,375	471	4,950	4,975	695	7,375	7,400	804
175	200	26	1,775	1,800	250	3,375	3,400	474	4,975	5,000	698	7,400	7,425	802
200	225	30	1,800	1,825	254	3,400	3,425	478	5,000	5,025	702	7,425	7,450	799
225	250	33	1,825	1,850	257	3,425	3,450	481	5,025	5,050	705	7,450	7,475	797
250	275	37	1,850	1,875	261	3,450	3,475	485	5,050	5,075	709	7,475	7,500	794
275	300	40	1,875	1,900	264	3,475	3,500	488	5,075	5,100	712	7,500	7,525	792
300	325	44	1,900	1,925	268	3,500	3,525	492	5,100	5,125	716	7,525	7,550	789
325	350	47	1,925	1,950	271	3,525	3,550	495	5,125	5,150	719	7,550	7,575	787
350	375	51	1,950	1,975	275	3,550	3,575	499	5,150	5,175	723	7,575	7,600	784
375	400	54	1,975	2,000	278	3,575	3,600	502	5,175	5,200	726	7,600	7,625	782
400	425	58	2,000	2,025	282	3,600	3,625	506	5,200	5,225	730	7,625	7,650	779
425	450	61	2,025	2,050	285	3,625	3,650	509	5,225	5,250	733	7,650	7,675	777
450	475	65	2,050	2,075	289	3,650	3,675	513	5,250	5,275	737	7,675	7,700	774
475	500	68	2,075	2,100	292	3,675	3,700	516	5,275	5,300	740	7,700	7,725	772
500	525	72	2,100	2,125	296	3,700	3,725	520	5,300	5,325	744	7,725	7,750	769
525	550	75	2,125	2,150	299	3,725	3,750	523	5,325	5,350	747	7,750	7,775	767
550	575	79	2,150	2,175	303	3,750	3,775	527	5,350	5,375	751	7,775	7,800	764
575	600	82	2,175	2,200	306	3,775	3,800	530	5,375	5,400	754	7,800	7,825	762
600	625	86	2,200	2,225	310	3,800	3,825	534	5,400	5,425	758	7,825	7,850	759
625	650	89	2,225	2,250	313	3,825	3,850	537	5,425	5,450	761	7,850	7,875	757
650	675	93	2,250	2,275	317	3,850	3,875	541	5,450	5,475	765	7,875	7,900	754
675	700	96	2,275	2,300	320	3,875	3,900	544	5,475	5,500	768	7,900	7,925	752
700	725	100	2,300	2,325	324	3,900	3,925	548	5,500	5,525	772	7,925	7,950	749
725	750	103	2,325	2,350	327	3,925	3,950	551	5,525	5,550	775	7,950	7,975	747
750	775	107	2,350	2,375	331	3,950	3,975	555	5,550	5,575	779	7,975	8,000	744
775	800	110	2,375	2,400	334	3,975	4,000	558	5,575	5,600	782	8,000	8,025	742
800	825	114	2,400	2,425	338	4,000	4,025	562	5,600	5,625	786	8,025	8,050	739
825	850	117	2,425	2,450	341	4,025	4,050	565	5,625	5,650	789	8,050	8,075	737
850	875	121	2,450	2,475	345	4,050	4,075	569	5,650	5,675	793	8,075	8,100	734
875	900	124	2,475	2,500	348	4,075	4,100	572	5,675	5,700	796	8,100	8,125	732
900	925	128	2,500	2,525	352	4,100	4,125	576	5,700	5,725	800	8,125	8,150	729
925	950	131	2,525	2,550	355	4,125	4,150	579	5,725	5,750	803	8,150	8,175	727
950	975	135	2,550	2,575	359	4,150	4,175	583	5,750	5,775	807	8,175	8,200	724
975	1,000	138	2,575	2,600	362	4,175	4,200	586	5,775	5,800	810	8,200	8,225	722
1,000	1,025	142	2,600	2,625	366	4,200	4,225	590	5,800	5,825	814	8,225	8,250	719
1,025	1,050	145	2,625	2,650	369	4,225	4,250	593	5,825	5,850	817	8,250	8,275	717
1,050	1,075	149	2,650	2,675	373	4,250	4,275	597	5,850	5,875	821	8,275	8,300	714
1,075	1,100	152	2,675	2,700	376	4,275	4,300	600	5,875	5,900	824	8,300	8,325	712
1,100	1,125	156	2,700	2,725	380	4,300	4,325	604	5,900	5,925	828	8,325	8,350	709
1,125	1,150	159	2,725	2,750	383	4,325	4,350	607	5,925	5,950	831	8,350	8,375	707
1,150	1,175	163	2,750	2,775	387	4,350	4,375	611	5,950	5,975	835	8,375	8,400	704
1,175	1,200	166	2,775	2,800	390	4,375	4,400	614	5,975	6,000	838	8,400	8,425	702
1,200	1,225	170	2,800	2,825	394	4,400	4,425	618	6,000	6,025	842	8,425	8,450	699
1,225	1,250	173	2,825	2,850	397	4,425	4,450	621	6,025	6,050	845	8,450	8,475	697
1,250	1,275	177	2,850	2,875	401	4,450	4,475	625	6,050	6,075	849	8,475	8,500	694
1,275	1,300	180	2,875	2,900	404	4,475	4,500	628	6,075	6,925	851	8,500	8,525	692
1,300	1,325	184	2,900	2,925	408	4,500	4,525	632	6,925	6,950	849	8,525	8,550	689
1,325	1,350	187	2,925	2,950	411	4,525	4,550	635	6,950	6,975	847	8,550	8,575	687
1,350	1,375	191	2,950	2,975	415	4,550	4,575	639	6,975	7,000	844	8,575	8,600	684
1,375	1,400	194	2,975	3,000	418	4,575	4,600	642	7,000	7,025	842	8,600	8,625	682
1,400	1,425	198	3,000	3,025	422	4,600	4,625	646	7,025	7,050	839	8,625	8,650	679
1,425	1,450	201	3,025	3,050	425	4,625	4,650	649	7,050	7,075	837	8,650	8,675	677
1,450	1,475	205	3,050	3,075	429	4,650	4,675	653	7,075	7,100	834	8,675	8,700	674
1,475	1,500	208	3,075	3,100	432	4,675	4,700	656	7,100	7,125	832	8,700	8,725	672
1,500	1,525	212	3,100	3,125	436	4,700	4,725	660	7,125	7,150	829	8,725	8,750	669
1,525	1,550	215	3,125	3,150	439	4,725	4,750	663	7,150	7,175	827	8,750	8,775	667
1,550	1,575	219	3,150	3,175	443	4,750	4,775	667	7,175	7,200	824	8,775	8,800	664
1,575	1,600	222	3,175	3,200	446	4,775	4,800	670	7,200	7,225	822	8,800	8,825	662

1987 Earned Income Credit Table—*Continued*

If line 3 or 4 of the worksheet is—		Your earned income credit is—
At least	But less than	
$8,825	$8,850	$659
8,850	8,875	657
8,875	8,900	654
8,900	8,925	652
8,925	8,950	649
8,950	8,975	647
8,975	9,000	644
9,000	9,025	642
9,025	9,050	639
9,050	9,075	637
9,075	9,100	634
9,100	9,125	632
9,125	9,150	629
9,150	9,175	627
9,175	9,200	624
9,200	9,225	622
9,225	9,250	619
9,250	9,275	617
9,275	9,300	614
9,300	9,325	612
9,325	9,350	609
9,350	9,375	607
9,375	9,400	604
9,400	9,425	602
9,425	9,450	599
9,450	9,475	597
9,475	9,500	594
9,500	9,525	592
9,525	9,550	589
9,550	9,575	587
9,575	9,600	584
9,600	9,625	582
9,625	9,650	579
9,650	9,675	577
9,675	9,700	574
9,700	9,725	572
9,725	9,750	569
9,750	9,775	567
9,775	9,800	564
9,800	9,825	562
9,825	9,850	559
9,850	9,875	557
9,875	9,900	554
9,900	9,925	552
9,925	9,950	549
9,950	9,975	547
9,975	10,000	544
10,000	10,025	542
10,025	10,050	539
10,050	10,075	537
10,075	10,100	534
10,100	10,125	532
10,125	10,150	529
10,150	10,175	527
10,175	10,200	524
10,200	10,225	522

If line 3 or 4 of the worksheet is—		Your earned income credit is—
At least	But less than	
$10,225	$10,250	$519
10,250	10,275	517
10,275	10,300	514
10,300	10,325	512
10,325	10,350	509
10,350	10,375	507
10,375	10,400	504
10,400	10,425	502
10,425	10,450	499
10,450	10,475	497
10,475	10,500	494
10,500	10,525	492
10,525	10,550	489
10,550	10,575	487
10,575	10,600	484
10,600	10,625	482
10,625	10,650	479
10,650	10,675	477
10,675	10,700	474
10,700	10,725	472
10,725	10,750	469
10,750	10,775	467
10,775	10,800	464
10,800	10,825	462
10,825	10,850	459
10,850	10,875	457
10,875	10,900	454
10,900	10,925	452
10,925	10,950	449
10,950	10,975	447
10,975	11,000	444
11,000	11,025	442
11,025	11,050	439
11,050	11,075	437
11,075	11,100	434
11,100	11,125	432
11,125	11,150	429
11,150	11,175	427
11,175	11,200	424
11,200	11,225	422
11,225	11,250	419
11,250	11,275	417
11,275	11,300	414
11,300	11,325	412
11,325	11,350	409
11,350	11,375	407
11,375	11,400	404
11,400	11,425	402
11,425	11,450	399
11,450	11,475	397
11,475	11,500	394
11,500	11,525	392
11,525	11,550	389
11,550	11,575	387
11,575	11,600	384
11,600	11,625	382

If line 3 or 4 of the worksheet is—		Your earned income credit is—
At least	But less than	
$11,625	$11,650	$379
11,650	11,675	377
11,675	11,700	374
11,700	11,725	372
11,725	11,750	369
11,750	11,775	367
11,775	11,800	364
11,800	11,825	362
11,825	11,850	359
11,850	11,875	357
11,875	11,900	354
11,900	11,925	352
11,925	11,950	349
11,950	11,975	347
11,975	12,000	344
12,000	12,025	342
12,025	12,050	339
12,050	12,075	337
12,075	12,100	334
12,100	12,125	332
12,125	12,150	329
12,150	12,175	327
12,175	12,200	324
12,200	12,225	322
12,225	12,250	319
12,250	12,275	317
12,275	12,300	314
12,300	12,325	312
12,325	12,350	309
12,350	12,375	307
12,375	12,400	304
12,400	12,425	302
12,425	12,450	299
12,450	12,475	297
12,475	12,500	294
12,500	12,525	292
12,525	12,550	289
12,550	12,575	287
12,575	12,600	284
12,600	12,625	282
12,625	12,650	279
12,650	12,675	277
12,675	12,700	274
12,700	12,725	272
12,725	12,750	269
12,750	12,775	267
12,775	12,800	264
12,800	12,825	262
12,825	12,850	259
12,850	12,875	257
12,875	12,900	254
12,900	12,925	252
12,925	12,950	249
12,950	12,975	247
12,975	13,000	244
13,000	13,025	242

If line 3 or 4 of the worksheet is—		Your earned income credit is—
At least	But less than	
$13,025	$13,050	$239
13,050	13,075	237
13,075	13,100	234
13,100	13,125	232
13,125	13,150	229
13,150	13,175	227
13,175	13,200	224
13,200	13,225	222
13,225	13,250	219
13,250	13,275	217
13,275	13,300	214
13,300	13,325	212
13,325	13,350	209
13,350	13,375	207
13,375	13,400	204
13,400	13,425	202
13,425	13,450	199
13,450	13,475	197
13,475	13,500	194
13,500	13,525	192
13,525	13,550	189
13,550	13,575	187
13,575	13,600	184
13,600	13,625	182
13,625	13,650	179
13,650	13,675	177
13,675	13,700	174
13,700	13,725	172
13,725	13,750	169
13,750	13,775	167
13,775	13,800	164
13,800	13,825	162
13,825	13,850	159
13,850	13,875	157
13,875	13,900	154
13,900	13,925	152
13,925	13,950	149
13,950	13,975	147
13,975	14,000	144
14,000	14,025	142
14,025	14,050	139
14,050	14,075	137
14,075	14,100	134
14,100	14,125	132
14,125	14,150	129
14,150	14,175	127
14,175	14,200	124
14,200	14,225	122
14,225	14,250	119
14,250	14,275	117
14,275	14,300	114
14,300	14,325	112
14,325	14,350	109
14,350	14,375	107
14,375	14,400	104
14,400	14,425	102

If line 3 or 4 of the worksheet is—		Your earned income credit is—
At least	But less than	
$14,425	$14,450	$99
14,450	14,475	97
14,475	14,500	94
14,500	14,525	92
14,525	14,550	89
14,550	14,575	87
14,575	14,600	84
14,600	14,625	82
14,625	14,650	79
14,650	14,675	77
14,675	14,700	74
14,700	14,725	72
14,725	14,750	69
14,750	14,775	67
14,775	14,800	64
14,800	14,825	62
14,825	14,850	59
14,850	14,875	57
14,875	14,900	54
14,900	14,925	52
14,925	14,950	49
14,950	14,975	47
14,975	15,000	44
15,000	15,025	42
15,025	15,050	39
15,050	15,075	37
15,075	15,100	34
15,100	15,125	32
15,125	15,150	29
15,150	15,175	27
15,175	15,200	24
15,200	15,225	22
15,225	15,250	19
15,250	15,275	17
15,275	15,300	14
15,300	15,325	12
15,325	15,350	9
15,350	15,375	7
15,375	15,400	4
15,400	15,425	2
15,425	15,432	1

$15,432 or more—you cannot take the credit

Chapter 7

Activities for Filling Out Forms

1040EZ

Choose the correct letter

1. When should a taxpayer use form 1040EZ?

   a. his/her filing status is single
   b. he/she claims no exemptions or dependents
   c. his/her interest income is $400 or less
   d. his/her taxable income is less tha $50,000
   e. all of the above

2. John & Sue Smith's gross wages for the year 1987 total $25.000.00. They also have $550 in interest income. Can they use the 1040EZ to file their taxes? Why?

   a. yes
   b. no

3. Mary A. Brown is single. Mary's gross income for 1987 is $11.500.00 and she has $225.00 interest from a money market. Can Mary use the 1040EZ to prepare her taxes? Why?

   a. yes
   b. no

4. Which of the following types of income listed below can be included on a 1040EZ?

   a. wages, salaries, tips and interest
   b. $700 in interest income
   c. $25,000.00 -in wages
   d. $165.00 -in tips
   e. a.c,d
   f. all of the above

5. Since Harry is single, lives alone, and is 67, can he use the 1040EZ for filing his taxes. Why?

   a. yes
   b. no

1040A

Choose the correct letter

1. Which status does NOT allow a taxpayer to use form 1040A?

   a. married filing jointly
   b. single
   c. qualifying widow/widower
   d. married filing separately
   e. Head of Household

2. If Jan earns $13,000.00 as a receptionist and also has $350 in interest income. will Jan be eligible for earned income credit? Jan's daughter is 4 years old and lives with her.

   a. yes
   b. no

3. You are a tax preparer. Elsie comes into your office and brings her W-2 showing $40,000 in salary, $875 in interest. $2080 in babysitting fees. Can Elsie use the 1040A?

FOR QUESTIONS 4 & 5. FILL ANSWER IN ON BLAN 1040A (next page)

4. Sue Tate reports. unearned income of $650 in interest, $12,500 in wages. Sue is divorced with two children. What is her taxable income?

   a. $13,150
   b. $ 7,450
   c. $ 7,540

5. Now that you know Sue's taxable income. what is the amount of her tax? (use the tax table on pg. 42)

   a. $1014
   b. $1049
   c. $1021

6. Ellen's adjusted gross income is $8,520. What is her earned income credit? (Use Earned Income Credit Table on pg. 45)

   a. 692
   b. 926
   c. 296

Form
1040A

Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return 1987

OMB No. 1545-

Step 1
Label

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial) Last name

Present home address (number and street). (If you have a P.O. Box, see page 9 of the instructions.)

City, town or post office, state, and ZIP code

Your social security no.

Spouse's social security

For Privacy Act and Paperwork Reductio Act Notice, see page 31

Presidential Election Campaign Fund

Do you want $1 to go to this fund? . . . . ☐ Yes ☐ No

If joint return, does your spouse want $1 to go to this fund? ☐ Yes ☐ No

Note: *Checking "Yes" not change your tax or reduce your refund.*

Step 2
Check your filing status
(Check only one)

1 ☐ Single (See if you can use Form 1040EZ.)

2 ☐ Married filing joint return (even if only one had income)

3 ☐ Married filing separate return. Enter spouse's social security number above and spouse's full name here. ______________________

4 ☐ Head of household (with qualifying person). If the qualifying person is your child but not your dependent, enter this child's name here. ______________________

Step 3
Figure your exemptions
(See page 12 of instructions.)

Caution: If you can be claimed as a dependent on another person's tax return (such as your parents' return), do not check box 5a. But be sure to check the box on line 14b on page 2.

5a ☐ **Yourself** 5b ☐ **Spouse**

c Dependents: 1. Name (first, initial, and last name)	2. Check if under age 5	3. If age 5 or over, dependent's social security number	4. Relationship	5. No. of months lived in your home in 1987

If more than 7 dependents, attach statement.

No. of boxes checked on 5a and 5b ___

No. of children on 5c who lived with you ___

No. of children on 5c who didn't live with you due to divorce or separation ___

No. of parents listed on 5c ___

No. of other dependents listed on 5c ___

Attach Copy B of Form(s) W-2 here.

d If your child didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here . . . . ▶ ☐

e Total number of exemptions claimed. (Also complete line 16.)

Add numbers entered on lines above

Step 4
Figure your total income

Attach check or money order here.

6 Wages, salaries, tips, etc. This should be shown in Box 10 of your W-2 form(s). (Attach Form(s) W-2.) 6

7a **Taxable** interest income (see page 17). (If over $400, also complete and attach Schedule 1, Part II.) 7a

b **Tax-exempt** interest income (see page 17). (DO NOT include on line 7a.) 7b

8 Dividends. (If over $400, also complete and attach Schedule 1, Part III.) 8

9 Unemployment compensation (insurance) from Form(s) 1099-G. 9

10 Add lines 6, 7a, 8, and 9. Enter the total. This is your **total income.** ▶ 10

Step 5
Figure your adjusted gross income

11a Your IRA deduction from applicable Worksheet. New rules for IRAs begin on page 18. 11a

b Spouse's IRA deduction from applicable Worksheet. New rules for IRAs begin on page 18. 11b

c Add lines 11a and 11b. Enter the total. These are your **total adjustments.** 11c

12 Subtract line 11c from line 10. Enter the result. This is your **adjusted gross income.** (If this line is less than $15,432 and a child lived with you, see "Earned Income Credit" (line 21b) on page 27 of instructions.) ▶ 12

Step 6
Figure your standard deduction,

13 Enter the amount from line 12. 13

14a Check if: ☐ You were 65 or over ☐ Blind / ☐ Spouse was 65 or over ☐ Blind } Enter number of boxes checked ▶ 14a ☐

b If you can be claimed as a dependent on another person's return (such as your parents' return), check here . . . . ▶ 14b ☐

c If you are married filing separately and your spouse files Form 1040 and itemizes deductions, check here . . . . ▶ 14c ☐

d **Standard deduction.** If you checked a box on line 14a, b, or c, see page 22 for amount to enter on line 14d. If no box is checked, enter amount shown below for your filing status.

Filing status from page 1 {
Single or Head of household, enter $2,540
Married filing joint return, enter $3,760
Married filing separate return, enter $1,880 } 14d

Exemption amount, and

15 Subtract line 14d from line 13. Enter the result. 15

16 Multiply $1,900 by the total number of exemptions claimed on line 5e. Or, figure your exemption amount from the chart on page 24 of the instructions. 16

Taxable income

17 Subtract line 16 from line 15. Enter the result. This is your **taxable income.** ▶ 17

If You Want IRS To Figure Your Tax, See Page 24 of the Instructions.

Step 7
Figure your tax, credits, and payments (including advance EIC payments)

Caution: If you are under age 14 and have more than $1,000 of investment income, see page 24 of the instructions and check here . . . . ▶ ☐

18 Find the tax on the amount on line 17. Check if from: ☐ Tax Table (pages 32-37); or ☐ Form 8615, Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than $1,000. 18

19 Credit for child and dependent care expenses. Complete and attach Schedule 1, Part I. 19

20 Subtract line 19 from line 18. Enter the result. (If line 19 is more than line 18, enter -0- on line 20.) This is your **total tax.** ▶ 20

21a Total Federal income tax withheld. This should be shown in Box 9 of your W-2 form(s). (If line 6 is more than $43,800, see page 26.) 21a

b Earned income credit, from the worksheet on page 28 of the instructions. Also see page 27. 21b

22 Add lines 21a and 21b. Enter the total. These are your **total payments.** ▶ 22

Step 8
Figure your refund or amount you owe

23 If line 22 is larger than line 20, subtract line 20 from line 22. Enter the result. This is the **amount of your refund.** 23

24 If line 20 is larger than line 22, subtract line 22 from line 20. Enter the result. This is the **amount you owe.** Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number, daytime phone number, and "1987 Form 1040A" on it. 24

Step 9
Sign your return

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowle and belief, they are true, correct, and complete. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer any knowledge.

Your signature Date Your occupation

X

Spouse's signature (if joint return, both must sign) Date Spouse's occupation

X

Paid preparer's use only

Preparer's signature Date Preparer's social security no.

X

Firm's name (or yours if self-employed) Employer identification no.

Check if self-employed ☐

Address and ZIP code

1040

Choose the correct letter

1. Bill and Joan Brown come to you for help with preparing their taxes. Listed below is their tax information

Salary-Bill	$22,500
Salary-Joan	$25.250
Dividends	$423
Interest	$155
Pension	$4,025

Which form will you use to prepare their taxes?

a. 1040EZ
b. 1040
c. 1040A

2. Which status is on 1040 and not on 1040EZ or 1040A?

a. head of household
b. single
c. qualifying widow/widower with dependent child

3. Betty and Ron are both over 65. Should they use form 1040 to prepare their taxes? Why?

a. yes
b. no

4. Carol and Ted have 3 children and an income of $35,000 and $27,552. Their charitable contributions totaled $612. Their babysitting fees were $45 per week. Their lottery winning were $1500. Their mortgage interest totaled $5,251, and their real estate taxes came $912. They also paid $1,225 in child support for a child from Ted's previous marrige who is not living with them.

Which item is NOT included on their 1040?

a. lottery winnings
b. child support
c. wages

5. Please check the correct yes or no column
Which types of income are reported on the 1040?

	Yes	No
a. wages	____	____
b. alimony	____	____
c. welfare payments	____	____
d. unemployment compensation	____	____
e. child support	____	____
f. lottery winnings	____	____

Chapter 7
Activities For Reading Forms

I. Root Words

Write the root word.

1. mailing ______________________
2. filers ______________________
3. instruction ______________________
4. salaries ______________________
5. taxable ______________________
6. checked ______________________
7. adjusted ______________________
8. dependent ______________________
9. larger ______________________
10. payment ______________________
11. return ______________________
12. refund ______________________
13. election ______________________
14. payable ______________________

II. Syllables

Divide the words into syllables.

1. address ______________________
2. dollars ______________________
3. income ______________________
4. office ______________________
5. attach ______________________
7. adjust ______________________
8. enter ______________________
9. correct ______________________
10. single ______________________

III. Write the plural.

1. wage ____________
2. salary ____________
3. name ____________
4. tip ____________
5. filer ____________
6. number ____________
7. form ____________
8. tax ____________
9. box ____________
10. city ____________
11. address ____________
12. copy ____________
13. date ____________
14. penalty ____________
15. page ____________

IV. Write the homonym.

1. one ____________
2. two ____________
3. here ____________
4. four ____________
5. no ____________
6. write ____________
7. see ____________
8. your ____________
9. be ____________
10. do ____________
11. I ____________
12. or ____________
13. cent ____________
14. in ____________

Chapter 7
More Activities for Reading Forms

Vocabulary

1. Root Words

Write the root word.

1. incorrect ________________
2. mainly ________________
3. completely ________________
4. dependents ________________
5. unemployment ________________
6. information ________________
7. failure ________________
8. necessarily ________________
9. married ________________
10. liability ________________
11. qualifying ________________
12. relationship ________________
13. unrelated ________________
14. adjusted ________________

11. Contractions

Write the two words for each contraction.

1. you've ________ ________
2. I've ________ ________
3. you've ________ ________
4. we've ________ ________
5. they've ________ ________
6. I'm ________ ________
7. he's ________ ________
8. you're ________ ________
9. they're ________ ________
10. shouldn't ________ ________
11. doesn't ________ ________
12. hasn't ________ ________
13. isn't ________ ________
14. aren't ________ ________
15. don't ________ ________
16. won't ________ ________
17. can't ________ ________
18. haven't ________ ________
19. couldn't ________ ________
20. wasn't ________ ________

Write the contraction for each of the following two words

1. do not ____________
2. has not ____________
3. does not ____________
4. is not ____________
5. will not ____________
6. was not ____________
7. should not ____________
8. they are ____________
9. we are ____________
10. you are ____________
11. he is ____________
12. I have ____________
13. you have ____________
14. we have ____________
15. who is ____________
16. let us ____________
17. I am ____________
18. were not ____________
19. did not ____________
20. can not ____________

III. Comprehension

Please answer in complete sentences.

1. Who may use the 1040EZ form?
2. What must your salary amount be under in order for you to use a 1040A form?
3. Why types of deductions are allowed on a 1040A?
4. What are the types of filing status allowable on a 1040A?
5. What is the filing status allowable only on a 1040?
6. What can an exemption lower?
7. What are the two types of exemptions and what do they allow you to claim?
8. How does the I.R.S. say an individual qualifies as a dependent?
9. What do itemized deductions or standard deductions help to do?
10. Which credit was left after the 1986 Tax Reform Act?
11. What qualifies an individual for Earned Income Credit and what must the filing status be?

IV. Discussion

Is it best to choose a particular tax form because it's easy to use?

Chapter 8

Oops!

I made a mistake.

Oops! I made a mistake!

What do I do now? I've already prepared and mailed my return. I forgot to deduct the day care fees for my daughter. The bank just sent me a statement (1099-INT.) showing how much interest my checking and saving accounts earned. That part-time job just sent me a W-2. Now it looks like I'm not telling the I.R.S. how much money I made last year. Am I in big trouble, or should I just forget about the new information?

If any of the above situations ever occur after you have prepared your taxes, there is a solution.

You may file what is called an **amended tax return** on **Form 1040X**. Amended simply means to do over again.

If you do not have a 1040X form you may simply write 1040X or Amended across the top of the form you are changing.

The I.R.S. allows you to correct your 1040EZ, 1040A or 1040, but you must file your 1040X within 3 years after the April 15th due date, or within two years of the actual filing of the return.

An amended return also allows you to change or add these other items:

1. Filing Status
2. Itemized Deductions
3. Exemptions
4. Additional Income

(see Appendix B, for a sample copy of the 1040X)

Chapter 8

I. Root Word

Write the root word.

1. mailed ____________
2. checking ____________
3. difference ____________
4. exemptions ____________
5. basically ____________
6. original ____________
7. itemized ____________
8. information ____________
9. actually ____________
10. amended ____________
11. correction ____________
12. saving ____________
13. statement ____________
14. earned ____________

II. Verbs

Write the missing verb form:

Present	Past	Past Participle
1. do	____________	____________
2. ____________	forgot	____________
3. send	____________	____________
4. have	____________	____________
5. ____________	made	____________
6. ____________	____________	taken
7. call	____________	____________
8. ____________	went	____________
9. come	____________	____________
10. pay	____________	____________

III. Comprehension

Please answer in complete sentences.

1. What can you do if you make a mistake on your tax return after you have already mailed it?
2. How long do you have to file a Form 1040X?
3. What other items can be changed or added on to an amended return?

IV. Discussion

Do you think that there are real advantages or disadvantages to doing an amended return?

Chapter 9

State Taxes

State Taxes

In Pennsylvania, we have a Personal Income Tax (P.I.T.) which is filed and due on April 15th along with our federal taxes.

The rate of our P.I.T. tax is 2.1% (.021). This rate is calculated against our total taxable income. This is a **flat rate tax**.

Information for filing of our state return is reported on **PA 40A** (short) or a **PA 40** (long) form.

Pennsylvania does not allow for personal exemptions in the filing of P.I.T. But the state does have what is called **Special Provisions** for **tax forgiveness**.

Only certain taxpayers qualify for Special Provisions. If you provided at least one half of your own support and your eligibility income for special provisions is $5,400 or less, you may qualify for a percentage of tax forgiveness. You will need to file schedule S.P.

If you think that you qualify, a S.P. worksheet will need to be filed to determine your taxable income, eligibility income and your support. All of these back up schedules are contained in the PA 40 (long) booklet only.

Filing status for your P.I.T. are single, married filing jointly, married filing separately and deceased filing final return. Take note that for the state tax return there is no Head of Household nor Qualifying Widow/Widower status.

Although personal exemptions are not allowed, the PA 40 does allow some of the same employee business related expenses from your federal 2106 form and your Schedule A (itemized deductions) to be deducted on your PA 40. Business related items include union dues, work clothes and uniforms, small tools along with a few other allowable expenses.

Your state tax is withheld by your employer and reported to the state on a PA501 form, Employer Deposit Statement of Income Tax withheld.

Pennsylvania also has what is known as a **Property Tax** or **Rent Rebate Program**. These rebates are based on the amount of property taxes or rent you paid during the year.

This program is aimed at senior citizens, permanently disabled individuals between the ages of 18 and 64, or a widow or widower age 50 to 64. You will have had to reach these ages by the 31st day of December prior to filing for the rebate.

For the Rent Rebate Program your income level from all sources (wages, public assistance, unemployment compensation, etc.) may not exceed $15,000.

Your property tax or Rent Rebate refund will not exceed $500.00. When your form has been filed and approved you automatically qualify for an **inflation dividend** check.

On the page that follows is the PA40 that John and Mary filled out after completing their 1040 A.

PA-40 (9-87)

COMMONWEALTH OF PENNSYLVANIA
Individual Income Tax Return

For the taxable year January 1 — December 31, 1987

PA 40 **1987**

☐ Fiscal Year Filer For Taxable Year Beginning ______ 1987, Ending ______, 198_.

☐ Request for Extension Attached

OFFICIAL USE ONLY

PLEASE PRINT OR TYPE

YOUR SOCIAL SECURITY NUMBER 000 02 0000	SPOUSE'S SOCIAL SECURITY NUMBER (Even if filing separate return) 000 31 0000
Last Name Doe	First name and initial (if joint return, enter both names) John H. & Mary L.
Home Address 1223 N ANYSTREET	
City or Post Office ANYTOWN	State PA. Zip Code 19000
☐ Check here if this is a change of address from last year's return	TELEPHONE NUMBER ( )
School District Name (as of December 31, 1987) Phila City	CODE (see pages 7 and 8) 51500

FILING STATUS: (Check One)
S ☐ Single
J ☒ Married, Filing Joint Return
M ☐ Married, Filing Separate Return
Name of Spouse
F ☐ Deceased, Filing Final Return
Date of Death ______

Occupation:
Your MAINT.
Spouse's Housewife

RESIDENCY STATUS: (Check One)
R ☒ Resident
P ☐ Part-Year Resident — From ______ To ______
N ☐ Nonresident ______ Name of State

OFFICIAL USE ONLY

ATTACH CHECK OR MONEY ORDER HERE

Income

1a. GROSS COMPENSATION (Wages, salaries, tips, etc.)	1a	13000 —		THIS RETURN MUST BE FILED ON OR BEFORE APRIL 15, 1988
1b. LESS EXPENSES FROM SCHEDULE UE	1b	-0-		
1c. TAXABLE COMPENSATION (line 1a less line 1b) ATTACH COPY OF W-2'S TO BACK OF THIS FORM			1c	13000 —
2. NET PROFITS FROM BUSINESS, PROFESSION OR FARM (Complete Schedule C or F)			2	-0-
3. INTEREST (Complete Schedule A if over $400)	3	150 —		BE SURE TO COMPLETE SCHOOL DISTRICT DATA
4. DIVIDENDS (Complete Schedule B if over $400)	4	0		
5. Add lines 3 and 4 ONLY			5	150 —
6a. SALE OR EXCHANGE OF PROPERTY (Complete Schedule D)	6a.	-0-		
6b. AMOUNT OF EXCLUSION CLAIMED FROM GAIN ON A PRINCIPAL RESIDENCE FROM PA-19 (Enter amount only. Do not add or subtract line 6b.)			6b.	-0-
7. RENTS, ROYALTIES, PATENTS AND COPYRIGHTS (Complete Schedule E)	7	—		ATTACH COPIES OF ALL W-2's TO BACK OF RETURN
8. ESTATES OR TRUSTS (Complete Schedule J)	8	—		
9. GAMBLING AND LOTTERY WINNINGS	9	—		
10. Add lines 6a, 7, 8 and 9 ONLY			10	-0-
11. PENNSYLVANIA TAXABLE INCOME (Add lines 1c, 2, 5 and 10)			11	13150 —

Tax

12. TAX LIABILITY — 2.1% OF LINE 11 (Multiply line 11 by .021)			12	276 —

Tax Credits

13. TOTAL PA. INCOME TAXES WITHHELD (From Attached W-2's)	13	273 —		OFFICIAL USE ONLY
14. PA. ESTIMATED TAX PAYMENTS (Include extension payments and allowed credit from 1986 return)	14	—		
15a. TAXES PAID BY PA. RESIDENTS TO OTHER STATES (Complete Schedule G)	15a	—		
15b. TAX FORGIVENESS CLAIMED ON SCHEDULE SP (Complete Schedule SP and lines 20a and 20b below)	15b	—		
15c. EMPLOYMENT INCENTIVE PAYMENT CREDIT (Complete PA Schedule W)	15c	—		
16. TOTAL CREDITS (Add lines 13, 14, 15a, 15b and 15c)			16	273 —

Tax Due or Overpayment

17. If line 12 is greater than line 16 enter the difference. This is the TAX DUE. Make checks payable to PA Department of Revenue			17	-0- —
18. If line 16 is greater than line 12 enter the difference. This is the OVERPAYMENT			18	3 —
19. Amount of Line 18 to be: (a) REFUNDED (Allow at Least Six Weeks for Refund Checks)	19a	3 —		Write Social Security Number on check or money order.
(b) CREDITED ON 1988 ESTIMATED TAX	19b			The total of lines 19a, 19b, 19c and 19d cannot exceed line 18
(c) DONATED TO WILD RESOURCE CONSERVATION FUND	19c			
(d) DONATED TO UNITED STATES OLYMPICS COMMITTEE, PENNSYLVANIA DIVISION	19d			

Sch. SP

YOU MUST COMPLETE 20a AND 20b IF SCHEDULE SP IS USED				
20a. NUMBER OF DEPENDENTS CLAIMED ON SCHEDULE SP			20a	
20b. TOTAL INCOME AS REPORTED ON SCHEDULE SP line 8			20b	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete.

Sign here

➡ John H. Doe 3-12-88
Your signature Date

➡ Mary L. Doe 3-12-88
Spouse's signature (If filing jointly, BOTH must sign even if only one had income)

( )
(Telephone No.)

68

➡ ______
Signature of preparer, other than taxpayer, based on all information on which he has any knowledge Date

63

1987

ALLOWABLE BUSINESS EXPENSES

Expenses for which you are not reimbursed by your employer.

Attach a separate UE-2 to form PA-40 for each employer.
Print or type all information.

SCHEDULE UE-2 (9-87)
DEPARTMENT OF REVENUE

Name as shown on form PA-40	Social Security Number

Employer's Name	Employer's Address
Job Description In Which Expenses Were Incurred	Employer's Telephone No. ( )

PART A: UNION DUES (Name and amount)	A		
PART B: WORK CLOTHES AND UNIFORMS (If required as a condition of employment and not suitable for every day use)	B		
PART C: SMALL TOOLS AND SUPPLIES (Required by your employment and not supplied by your employer)	C		
PART D: PROFESSIONAL LICENSE FEES AND INSURANCE (Required as a condition of your employment)	D		
TOTAL EXPENSES OF PARTS A THROUGH H. (REPORT ON LINE 1b of PA-40)	1		

Special Tax Provisions Schedule

(DO NOT FILE IF A DEPENDENT)

Print or type all information.

SCHEDULE SP
DEPARTMENT OF REVENUE

A

1. Are you a dependent spouse or child? .... ☐ Yes ☐ No
2. Are you claimed as a dependent on your spouse's Schedule SP? .... ☐ Yes ☐ No
3. Are you being claimed as a dependent child for Federal tax purposes? .... ☐ Yes ☐ No

If you answered "Yes" to questions 1, 2 or 3, DO NOT FILE A SCHEDULE SP

4. Are you a student? .... ☐ Yes ☐ No
5. If married, is your spouse filing a Schedule SP? .. ☐ Yes ☐ No
6. Are you a widow/widower? .... ☐ Yes ☐ No

B

1. Total number of dependent children in family __________

List below all dependents you are entitled to claim. DO NOT INCLUDE YOURSELF. (Additional information may be attached on a separate sheet)

DEPENDENTS

DEPENDENT'S NAME	AGE	RELATIONSHIP (Spouse or Child)	SOCIAL SECURITY NUMBER

Enter here and on line 20a of PA-40 total number of dependents you are entitled to claim .... __________

2. Total Other Income from line C 7 of SP Worksheet:

Claimant $ __________ Spouse $ __________

C If married, complete Columns A & B. When claiming tax forgiveness, both spouses must file separate PA-40's if each has taxable income.

ELIGIBILITY INCOME DETERMINATION

		COLUMN A CLAIMANT'S INCOME	COLUMN B SPOUSE'S INCOME
1. TOTAL TAXABLE INCOME FROM LINE 11 OF FORM PA-40	1		
2. NONTAXABLE INTEREST, DIVIDENDS AND GAINS (Worksheet line B2)	2		
3. ALIMONY/CHILD SUPPORT (Worksheet line B3)	3		
4. LIFE INSURANCE AND INHERITANCE PROCEEDS (Worksheet line B4)	4		
5. GIFTS, AWARDS AND PRIZES (Worksheet line B5)	5		
6. NONRESIDENT INCOME (Worksheet line B6)	6		
7. ALL OTHER INCLUDABLE INCOME (Worksheet lines B1 and B7 through B10) ..	7		

D **FORGIVENESS COMPUTATION**

8. TOTAL INCOME — LINES 1 THROUGH 7 ABOVE (Enter Claimant's Total Income in Column A and on line 20b of PA-40)	8		▨
9. PENNSYLVANIA PERSONAL INCOME TAX (From line 12 of form PA-40)	9		▨
10. LESS TAXES PAID TO OTHER STATES (Line 15a, form PA-40)	10		▨
11. SUBTRACT LINE 10 FROM LINE 9 AND ENTER DIFFERENCE	11		▨
12. PERCENTAGE OF FORGIVENESS (See Income Table for decimal equivalent) ..	12		▨
13. AMOUNT OF SPECIAL TAX FORGIVENESS (Multiply line 11 by line 12) Enter here and on line 15b of PA-40	13		▨

ATTACH ALL COPIES OF W-2's HERE

Chapter 9

Vocabulary

I. Root Words
Write the root word.

1. forgiveness ______________
2. provision ______________
3. qualifications ______________
4. inflation ______________
5. information ______________
6. percentage ______________
7. automatically ______________
8. assistance ______________
9. employers ______________
10. exemptions ______________
11. calculated ______________
12. taxable ______________
13. provided ______________
14. deductions ______________

II. Verbs
Add ed and ing to these words

	ed	ing
1. calculate	______________	______________
2. file	______________	______________
3. change	______________	______________
4. raise	______________	______________
5. share	______________	______________

6. decide ______________ ______________

7. separate ______________ ______________

8. believe ______________ ______________

9. require ______________ ______________

III. Comprehension

Please answer in complete sentences.

1. What is our Pennsylvania tax called?
2. What is the tax rate in Pennsylvania and how is it calculated?
3. How might you qualify for special provisions or tax forgiveness on a PA tax form?
4. Which PA tax form do you need for special provisions?
5. What kind of items can be deducted from a PA 40?
6. What are rent rebates based on?
7. When might you apply for an Inflated Dividend Check?

IV. Discussion

Do you think state tax is necessary?

Chapter 10

Choosing a
Tax Preparer

Choosing a Tax Preparer

In the preparation of your tax return you may want to file it yourself or choose a preparer.

If you pay someone to prepare your taxes, you and that person must sign your return. Individuals who prepare taxes include lawyers, accountants, certified public accountants (C.P.As), tax practioners and I.R.S. employees. You also have certain other rights to consider when choosing a preparer:

1. Courtesy
2. Full Disclosure
   Never sign the tax return until all or any questions that you may have are answered.
3. The preparer be knowledgeable concerning the new tax laws.

Be careful. Because individuals say that they can prepare a tax return does not mean that they are aware of all the tax laws. Anyone can put numbers on forms.

Remember the responsibility of the tax return is yours. Once you have signed the tax return, you're saying that all information reported is true and correct.

The tax preparer has a duty to advise the taxpayer of the most efficient way to prepare his/her tax return.

For every deduction, or form that is utilized in the preparation, the return should be reviewed by the tax preparer and the taxpayer prior to filing of the return.

The preparer is required to give you a copy of your tax return.

Chapter 10

Vocabulary

I. Root Words
Write the root word.

1. choosing ____________________
2. preparer ____________________
3. knowledgable ____________________
4. answered ____________________
5. accountant ____________________
6. careful ____________________
7. responsibilities ____________________
8. information ____________________
9. signed ____________________
10. filing ____________________
11. practioner ____________________
12. disclosure ____________________
13. reviewed ____________________
14. remarried ____________________

II. Verbs
Add ed and ing to these words

	ed	ing
1. stop	____________	____________
2. plan	____________	____________
3. sign	____________	____________
4. beg	____________	____________
5. ship	____________	____________

6. dot ______________ ______________

7. tip ______________ ______________

8. form ______________ ______________

9. shop ______________ ______________

10. rob ______________ ______________

III. Comprehension

Please answer in complete sentences.

1. What kind of professional person may prepare your taxes?
2. Whose responsibility is your tax return?
3. What is the duty of the tax preparer?

IV. Discussion

Why do some people do their own taxes and others choose to have a tax preparer complete their returns?

GLOSSARY

GLOSSARY
PLAIN TALK ON TAXES

A.G.I.	- Adjusted Gross Income. This is your total income reduced by certain adjustments. Those adjustments may be I.R.A. contributions, alimony payments, or employee related business expenses.
C.W.T.	- City Withholding Tax. If you live in the City of Philadelphia, you are paying at the rate of 4.96% (or for calculation purposes .0496). If you live outside the city but work in Philadelphia this tax is being withheld from your gross pay at the rate of 4.3125% (or for calculation purposes .043125). This tax is based on gross wages and is a flat tax. By flat we mean that no matter what amount of money you make based on where you live, the rate will either be 4.96% or 4.3125%. These rates will remain in effect until city council changes them.
earned income	- Compensation for work or personal services. Wages, salaries, fees or bonuses are all earned income.
exemption	- An amount allowed by the tax law which a taxpayer uses to help him/her determine taxable income. The amount for exemptions in 1987 was $1900 per individual. The amount for exemptions in 1988 will be $1950 per individual.
F.I.C.A.	- Federal Insurance Contribution Act. It is more commonly known to taxpayers as Social Security. In 1987, it was deducted from wages at the rate of 7.15%. In 1988, it is deducted at the rate of 7.51%.
F.W.T.	- Federal Withholding Tax. Federal Taxes are deducted from gross earnings. The amount of tax deducted varies according to the taxpayer's marital status, number of exemptions or allowances claimed on a W-4 Form.
gross income	- Actual amount of taxable income you receive from all sources before withholding for taxes, and before other adjustments.
interest	- An amount paid for the privilege of using someone else's money. You pay interest on a loan and earn interest on your savings.

Pennsylvania Unemployment Compensation (PAUC) - This is additional payments collected from the employee to pay for unemployment compensation benefits. Both employer and employee pay into this fund. In 1987, it was less than 1% (.0001 for calculation purposes.)

Personal Income Tax (P.I.T.) - This is a Pennsylvania tax. As of September 1987, the rate was lowered to 2.10% (.0210 for calculation purposes). The P.I.T. tax is also a flat rate tax based on gross earnings and profits.

revenue - state tax money received by the I.R.S.,state and city

standard deduction - the amount deducted from your A.G.I. if you are not itemizing deductions. (This used to be called the zero bracket amount.)

tax credit - a subtraction from the amount of tax that is due helps to reduce your tax liability.

itemized deduction - a subtraction from your adjusted gross income.

tax-exempt income - income that by law is not taxed

taxable income - the amount of income remaining after itemized deductions or the standard deduction has been taken. The amount of tax paid is based on this income.

tax home - your principal place of residence

tax liability - the amount of tax owed to the I.R.S., state or city.

unearned income - money earned from, investments, savings, checking accounts, interest and dividends.

W-4 - Allows the employer to withhold the proper amount of taxes from the employees gross earnings. This form is filled out at the beginning of your employment.

Year to Date - This is a total of all income earned within the year to date from your job, and a total of all taxes paid to date. This information is usually printed on your pay stub.

Glossary

Vocabulary

I. Root Word
Write the root word.

1. contribution ____________
2. earnings ____________
3. varies ____________
4. employment ____________
5. calculations ____________
6. unearned ____________
7. multiplied ____________
8. investments ____________
9. adjustments ____________
10. liability ____________
11. subtractions ____________
12. salaries ____________
13. maintenance ____________
14. payments ____________

II. Matching

I		II
1. **Personal Income Tax**	______	A. YTD
2. **Federal Withholding** Tax	______	B. C.T.W.
3. City **Withholding** Tax	______	C. Welfare payments
4. **Year to Date**	______	D. F.W.T.
5. **Earned Income**	______	E. Savings
6. Tax Exempt Income	______	F. $1900
7. Exemption	______	G. Social Security payment
8. Unearned Income	______	H. Wages
9. F.I.C.A	______	I. P.I.T.
10. Revenue	______	J. money

ANSWER
KEY

Chapter 1 - Answer Key

I. Root Words

1. govern
2. tax
3. supply
4. file
5. comply
6. person
7. agency
8. decide
9. liable
10. according

II. Alphabetical Order

fair
federal
fight
file
filing

III. Comprehension

1. The primary objective of the tax system is to raise revenue.

2. Voluntary compliance means that the responsibility of filing a tax return is on the taxpayer.

3. Our duties and responsibilites as taxpayers are:

   a) to file taxes on a timely basis (by April 15th),
   b) pay our fair share of taxes,
   c) determine the amount, if any, of our tax liability.

Chapter 2 Answer Key

I. Root Words.

1. distribute
2. provide
3. depend
4. pay
5. receive
6. require
7. rich
8. exist
9. secure
10. wealth
11. high
12. family

II. Add er and est

1.	richer	richest
2.	poorer	poorest
3.	wealthier	wealthiest
4.	higher	highest
5.	fewer	fewest
6.	lower	lowest
7.	taller	tallest

III. Write the singular

1. fund
2. dollar
3. family
4. child
5. company
6. purpose
7. state
8. tax
9. sale
10. plan

IV. Comprehension

1. The income tax laws of the United States are based on people's ability to pay.

2. The ability to pay taxes is determined by level of income and wealth.

3. Tax loopholes are provisions of the law which permit taxes to be lowered.

4. A transfer payment is a payment for which the recipient does not provide goods or services in order to obtain funds. An individual who receives payments for welfare, AFDC or social security is receiving transfer payments.

Chapter 3 Answer Key

I. Root Words

1. employ
2. form
3. abide
4. apply
5. basic
6. talk
7. quart
8. eliminate
9. certain
10. deduct
11. cover
12. work
13. response
14. comply

II. Homonyns

1. their, they're
2. too, two
3. knot
4. buy
5. won
6. know
7. you're
8. hymn
9. by
10. four
11. cent, scent
12. weigh
13. hear
14. see

III. Comprehension

1. The one reason why some people want to work "under the table" is to take their pay home without any taxes being deducted.

2. Five benefits that may be lost if an individual works under the table are:

   a) pension plans
   b) health benefits
   c) paid sick time
   d) paid vacation time
   e) social security

3. Workmen's compensation can not be received by individuals who work under the table because the employer has not been filing a Quarterly Payroll Tax report to the I.R.S. This report indicates that an individual has been employed, so without proof of employment, no compensation can be collected

4. It is better to be formally employed because opening a charge account requires proof of employment such as pay stubs and tax returns which are only acquired by individuals who are formally employed.

Chapter 4 Answer Key

I. Root Words

1. consider
2. supply
3. character
4. differ
5. insure
6. category
7. classify
8. clean
9. equip
10. relate
11. drive
12. depend
13. contract
14. accomplish

II. Vowel Sounds

1. i
2. i
3. a
4. o
5. a
6. a
7. a
8. i
9. i
10. a

III. Oral skills practice

IV. Comprehension

1. An employee is a person hired by another individual to perform services and receive payment in return.

2. The two usual characteristics of an employer-employee relationship are that the employer:

   a) provides a place to work and supplies equipment,
   b) has the right to fire the employee.

3. An independent contractor is self-employed. He or she does work for a business, but is not under the complete control of an employer. The employer controls or directs only the result of the work, but not how the work is accomplished.

4. When an individual starts a new job, he or she is required to fill out a W-4 form.

5. An employee receives a W-2 by January 31 of every year. A W-2 states the total amount earned for a particular job for the calendar year. It also states the total amounts of federal withholding tax, social security, state tax and city wage tax that were withheld for that year.

Chapter 5 Answer Key

I. Root Words

1. earn
2. tax
3. retire
4. annual
5. item
6. gamble
7. win
8. assist
9. add
10. able
11. prepare
12. assess
13. compensate
14. retire

II. Spelling

1. waitresses
2. maintenance
3. retirement
4. annuities
5. assistance
6. received
7. government
8. incentive

III. Comprehension: True or False

1. True
2. True
3. False
4. False
5. True
6. False
7. True
8. True (in part)
9. True
10. True (certain ones)
11. True
12. True
13. True
14. False
15. True

Chapter 6 Answer Key

I. Root Words

1. report
2. earn
3. require
4. state
5. inform
6. forward
7. prepare
8. identify
9. refer
10. apply
11. decide
12. employ
13. inform
14. secure

II. Alphabetical Order

I

business
computer
employer
four
number
office
taxpayer

II

March
media
micro
money
must

III

defend
defense
demand
simply
since

III. Comprehension

1. Employers are required to send a W-3: Transmittal of Income Tax Statement to the federal government.

2. A W-3 shows the amount of federal income tax withheld, the number of employees employed, total wages paid, social security tax withheld and other employer related information. This form helps the I.R.S. keep a check on businesses.

3. A 941 form is an Employer's Quarterly Federal Tax Return. It is filed by employers who withhold income or Social Security tax.

4. The I.R.S. can tell one employer from another by the E.I.N. or employer identification number.

Chaper 7 Activities for Filling Out Forms
Answer Key
1040EZ

1. e.

2. b. no - The 1040EZ may only be used by single people when income is $400 or less.

3. a. yes - She meets all the requirements

4. e.

5. b. no - if he uses 1040EZ he will not be able to take exemption for being over 65.

1040A

1. c.

2. a. yes - Because her income is under $15,432.

3. a.

4. b. $7450
line 6 - $12,500
7a.- $650
10 - $13,150
13 - $13,150
16 - $5700

5. c.

1040

1. b.

2. c.

3. a. They need the Form 1040 in order to claim exemptions for age 65 and over.

4. b.

5. a. yes
b. yes
c. no
d. yes
e. no
f. yes

Chapter 7 Forms Answer Key

I. Root Words

1. mail
2. file
3. instruct
4. salary
5. tax
6. check
7. adjust
8. depend
9. large
10. pay
11. turn
12. fund
13. elect
14. pay

II. Syllables

1. ad dress
2. dol lars
3. in come
4. of fice
5. at tach
6. num bers
7. ad just
8. en ter
9. cor rect
10. sin gle

III. Plurals

1. wages
2. salaries
3. names
4. tips
5. filers
6. numbers
7. forms
8. taxes
9. boxes
10. cities
11. addresses
12. copies
13. dates
14. penalties
15. pages

IV. Homonyms

1. won
2. to, too
3. hear
4. for
5. know
6. right
7. sea
8. you're
9. bee
10. due
11. eye
12. oar
13. scent, sent
14. inn

Chapter 7 Answer Key More Activities

I. Root Words

1. correct
2. main
3. complete
4. depend
5. employ
6. inform
7. fail
8. necessary
9. marry
10. liable
11. qualify
12. relate
13. relate
14. adjust

II. Contractions

1. you have
2. I have
3. you have
4. we have
5. they have
6. I am
7. he is
8. you are
9. they are
10. should not
11. does not
12. has not
13. is not
14. are not
15. do not
16. will not
17. can not
18. have not
19. could not
20. was not

1. don't
2. hasn't
3. doesn't
4. isn't
5. won't
6. wasn't
7. shouldn't
8. they're
9. we're
10. you're
11. he's
12. I've
13. you've
14. we've
15. who's
16. let's
17. I'm
18. weren't
19. didn't
20. can't

Comprehension

1. Individuals who are single, have no dependents, who have interest income of $400 or less and taxable income less than $50,000 may use the 1040EZ

2. In order to use the 1040A your taxable income should be under $50,000.

3. Allowable deductions on a 1040A are:
   a) IRA payments
   b) child and dependent care expenses

4. Allowable types of filing status on a 1040A are:
   a) single
   b) married
   c) married filing separately
   d) head of household

5. Qualifying widow/widower with a dependent child is the filing staus allowable only on the 1040 form.

6. Exemptions help to reduce your taxable income.

7. The two types of exemptions are personal and dependency. Personal exemptions may be claimed for an individual and his or her spouse. Dependancy exemptions are allowed for persons who qualify as the taxpayer's dependents.

8. There are five tests to determine if a taxpayer may claim an individual as a dependent:

   a) support test
   b) gross income test
   c) member of household or relationship test
   d) citizenship test
   e) joint return test

9. Itemized deductions or standard deductions help to lower your adjusted gross income or taxable income.

10. Credit for child or dependent care is one credit left after the 1986 Tax Reform Act.

11. In order to qualify for Earned Income Credit an individual must have both an earned income and an adjusted gross income of less than $15,542. The individual must also have a child who lived with him or her for six months or more and their filing status must be either married filing a joint return. qualifving widow or widower with a dependent child or head of household.

Chapter 8 Answer Key

I. Root Words

1. mail
2. check
3. different
4. exempt
5. basic
6. origin
7. item
8. inform
9. actual
10. amend
11. correct
12. save
13. state
14. earn

II. Verbs

1.	did	done
2.	forget	forgotten
3.	sent	sent
4.	had	had
5.	made	made
6.	take	took
7.	called	called
8.	go	gone
9.	came	come
10.	paid	paid

III. Comprehension

1. You may file an amended tax return on a Form 1040X.

2. The Form 1040X may be filed within 3 years after the April 15th due date, or within two years of the actual filing of the return.

3. An amended return also allows you to change or add these other items:

   a) filing status
   b) itemized deductions
   c) exemptions

Chapter 9 Answer key

I. Root Words

1. forgive
2. provide
3. qualify
4. inflate
5. inform
6. percent
7. automatic
8. assist
9. employ
10. exempt
11. calculate
12. tax
13. provide
14. deduct

II. Verbs

1. calculated	calculating
2. filed	filing
3. changed	changing
4. raised	raising
5. shared	sharing
6. decided	deciding
7. separated	separating
8. believed	believing
9. required	requiring

III. Comprehension

1. In Pennsylvania, we have a Personal Income Tax (P.I.T.).

2. The tax rate in Pennsylvania is 2.1% or .021. It is calculated against our total taxable income.

3. If an individual provided at least one half of his or her own support and has an eligibility income for special provisions of $5,400 or less, he or she may qualify for a percentage of tax forgiveness.

4. A schedule S.P. is needed when filing for special provisions.

5. Some of the same employee business related expenses from a federal 2106 form and a Schedule A can be deducted on a PA40.

6. Rent Rebates are based on the amount of property taxes or rent paid during the year.

7. An individual may apply for an inflated dividend check after their form has been filed and approved.

Chapter 10 Answer Key

I. Root Words

1. choose
2. prepare
3. knowledge
4. answer
5. account
6. care
7. response
8. inform
9. sign
10. file
11. practice
12. disclose
13. view
14. married

II. Verbs

1. stopped	stopping
2. planned	planning
3. signed	signing
4. begged	begging
5. shipped	shipping
6. dotted	dotting
7. tipped	tipping
8. formed	forming
9. shopped	shopping
10. robbed	robbing

III. Comprehension

1. Professional persons who may prepare taxes include lawyers, accountants, certified public accountants (C.P.A.s), tax practitioners and I.R.S. employees.

2. The responsibility for a tax return is the individual whose form it is (not the tax preparers).

3. The duty of the tax preparer is to advise the taxpayer of the most efficient way to prepare his/her tax return.

Glossary Answer Key

I. Root Words

1. contribute
2. earn
3. vary
4. employ
5. calculate
6. earn
7. multiply
8. invest
9. adjust
10. liable
11. subtract
12. salary
13. maintain
14. pay

II. Matching

1. I
2. D
3. B
4. A
5. H
6. C
7. F
8. E
9. G
10. J

APPENDIX
A

APPENDIX A

This section contains **more information for tutors and teachers** about the various lessons in this book.

ROOT WORDS

A root word is the main word part to which prefixes and suffixes can be added.

ex. employ - root word
employment
unemployment

PLURALS OF NOUNS

1. Add s to most nouns payment - payments

2. Add es to words ending in s, ch, sh, x and z.

ex. tax - taxes
address - addresses
attach - attaches
dish - dishes
buzz - buzzes

3. Words that end in "a" and with a consonant before it, change the "y" to "i" and add "es".

ex. salary - salaries

4. Words that end in "y" with a vowel before it, add "s".

ex. toy - toys

5. **Words ending** in "f" or "fe," change the "f" or "fe" **to "v" and add** "es".

ex. wife - wives
(There are exceptions. When in doubt, use **the** dictionary.)

6. Some words change their basic spelling.

ex. child - children

HOMONYMS

Homonyms are words that sound alike, but have different meanings and spellings.

ex. there, their, they're

LONG VOWEL SOUNDS

If a vowel in a word says its name (a,e,i,o,u), it has a long vowel sound.

ex. 1. same - a
2. Pete - e
3. hire - i
4. home - o
5. use - u

DROP THE E RULE

If a word ends in silent "E" drop the "e" before adding an ending that starts with a vowel.

ex. file - filed, filing

DOUBLE THE FINAL CONSONANT

If a word has one syllable, ends in one consonant and has one vowel, double the final consonant before adding a vowel suffix.

ex. stop - stopped, stopping

CONTRACTIONS

A contraction is a short way of saying two words. In a contraction one or more letters are dropped and an apostrophe takes the place of those letters dropped.

ex. is not - isn't

VERB TENSES

Regular verbs add "d" or "ed" to form the past tense and the past participle. Irregular verbs do not fit this pattern for the past tense and the post participle.

	Present	Past	Past Participle
ex.	do	did	done

Appendix B

Sample Tax Forms

W-4 full instructions

1040EZ

1040A

Schedule 1

1040

  - Schedule A
  - Schedule B

Form 2441 Credit for Child and Dependent Care Expenses

1040X

State TAXES: PA40

Schedule UE-2

Property Tax Rent Rebate Form

1987

Department of the Treasury
Internal Revenue Service

Instructions for Form W-4

Employee's Withholding Allowance Certificate

Why Must I Complete a New Form W-4?

The Tax Reform Act of 1986 made many changes to the tax law that could affect your taxes for 1987. Therefore, the amount of tax that is now withheld from your pay may no longer be correct. So that your employer will not withhold too much or too little tax from your pay, give your employer a new Form W-4.

When Must I File the Form?

Give your employer a new Form W-4 **as soon as possible**. While the law requires you to file a new form before October 1, 1987, you are urged to file early to avoid incorrect withholding.

What Happens If I Do Not Complete the Form?

The amount of tax withheld from your pay may not be close to the amount of tax you will owe when you file your tax return. If you do not give your employer a new Form W-4, your employer will have to ignore any previous form you have filed, and the amount withheld will probably not be correct for your tax situation.

How Do I Complete the Form?

The following instructions tell you how to complete the Form W-4 on this page. Use the worksheet on page 3 to figure the number of withholding allowances you can claim on Form W-4.

Please Note: Most employees will have to complete ONLY lines A through E of the worksheet. But if you have a spouse who is also employed, or you have more than one job at the same time, or you have nonwage income, complete the rest of the worksheet. You should also complete the worksheet if you have itemized deductions, tax credits, adjustments to income, or the age or blindness deduction.

Should I Claim the Special Withholding Allowance?

Claim this allowance if you have only one job at a time and you don't have a working spouse. Take this allowance so that you won't have too much tax withheld from your pay. See line B of the worksheet on page 3.

Step-by-Step Instructions

Step 1—How To Complete Form W-4.—First, fill in the information asked for on lines 1 through 3 of the form. Then, if you think you might be exempt from withholding, read the instructions for Step 2 below. Otherwise, skip to Step 3 on page 2. If you want to have more money withheld from your pay, see Step 4 on page 2.

After your new Form W-4 takes effect, you should check to see if you are having the proper amount withheld. To do this, you may want to get **Publication 919**, Is My Withholding Correct? For more details on withholding, get **Publication 505**, Tax Withholding and Estimated Tax, and **Publication 553**, Highlights of 1986 Tax Law Changes. You can get these publications by calling 1-800-424-FORM (3676).

Note: ***If Your Allowances Change.***—*If the number of withholding allowances you are entitled to claim decreases to fewer than the number you claim on this Form W-4, you must file a new W-4 within 10 days.*

Step 2—Are You Exempt From Withholding?—You are exempt from withholding ONLY if:

1. Last year you did not have any Federal income tax liability; AND
2. This year you expect to have no Federal income tax liability.

Important Change in the Law.—If you can be claimed as a dependent on another person's tax return (for example, on your parent's return), you may not be exempt. You **cannot** claim exempt status if you have any nonwage income, such as interest on savings, and expect your wages plus this nonwage income to add up to more than $500.

If you are exempt, go to line 6 of Form W-4 and complete the appropriate boxes. Your exempt status will remain in effect until February 15 of the next year. If you still qualify for exempt status next year, complete and file a new form by that date.

(Continued on page 2)

Cut along this line and give this form to your employer. Keep the rest for your records.

Form **W-4**
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate

▶ **For Privacy Act and Paperwork Reduction Act Notice, see instructions.**

OMB No. 1545-0010

1987

1 Type or print your full name

2 Your social security number

Home address (number and street or rural route)

City or town, state, and ZIP code

3 Marital Status: ☐ Single ☐ Married ☐ Married, but withhold at higher Single rate

Note: *If married, but legally separated, or spouse is a nonresident alien, check the Single box.*

4 Total number of allowances you are claiming (from the Worksheet on page 3)

5 Additional amount, if any, you want deducted from each pay (see Step 4 on page 2) $

6 I claim exemption from withholding because (see Step 2 above and check boxes below that apply):

- a ☐ Last year I did not owe any Federal income tax and had a right to a full refund of **ALL** income tax withheld, **AND**
- b ☐ This year I do not expect to owe any Federal income tax and expect to have a right to a full refund of **ALL** income tax withheld. If both a and b apply, enter the year effective and "EXEMPT" here ▶ Year 19
- c If you entered "EXEMPT" on line 6b, are you a full-time student? ☐ Yes ☐ No

Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate or, if claiming exemption from withholding, that I am entitled to claim the exempt status.

Employee's signature ▶ Date ▶ , 19

7 Employer's name and address (**Employer: Complete 7, 8, and 9 only if sending to IRS**)

8 Office code

9 Employer identification number

Step 3—Complete the Worksheet on Page 3.— By using this worksheet, the amount of tax withheld from your pay should closely match your tax liability for the year.

Please claim all the withholding allowances to which you are entitled. In certain cases, your employer must send copies of the Form W-4 to IRS. You may then be asked to verify your allowances. This applies if you claim more than 10 withholding allowances, or you claim exemption from withholding under Step 2 and your wages are expected to usually exceed $200 a week.

Penalty.—You may be fined $500 if, with no reasonable basis, you file a Form W-4 that results in less tax being withheld than is properly allowable. In addition, criminal penalties apply for willfully supplying false or fraudulent information or failing to supply information requiring an increase in withholding.

Line B—Special Withholding Allowance.— The Special Withholding Allowance is very important. Claim it if you qualify for it, because if you **do not**, too much tax may be withheld from your pay.

Claim this allowance if:

- You are single and have only one job at a time; OR
- You are married, have only one job at a time, and your spouse does not work; OR
- You have two jobs at a time and only one job paid more than $2,500; OR
- You are married, both you and your spouse work, and only one job paid more than $2,500.

Line E—Should I Stop Here?—You may stop here and enter the total from line E on Form W-4, line 4, **only** if you do not need to increase or decrease your allowances as explained between lines E and F of the worksheet.

Line F—Adjustments to Income.—Enter the total of the following:

- Qualified reimbursed employee business expenses (unreimbursed expenses are allowed only as an itemized deduction)
- Qualified alimony payments made
- Deductible business and investment losses
- Penalty on early withdrawal of savings
- Qualified contributions to an IRA account or Keogh plan. If either you or your spouse, if applicable, have an IRA and are covered by an employer's pension plan, your 1987 IRA deduction may be reduced or eliminated if your adjusted gross income is at least $40,000 ($25,000 if single, or $0 if married filing separately). Get **Publication 590**, Individual Retirement Arrangements (IRAs), for details.

Line G—Itemized Deductions.—Enter the total of the following:

- Medical expenses in excess of 7.5% of your AGI*
- State and local taxes (exclude **sales** taxes)
- Home mortgage interest and 65% of personal interest
- Qualified investment interest
- Charitable contributions
- Certain casualty and theft losses in excess of 10% of AGI*
- Moving expenses (if reimbursed, include only if your employer withheld tax on them)
- Miscellaneous deductions (most of these are now deductible only in excess of 2% of AGI*; see Publication 553)

* In general, your AGI (adjusted gross income) is your income less any adjustments to income included on line F of the worksheet

Line J—Additional Standard Deduction for Age or Blindness.—If you do **not** expect to itemize deductions on your 1987 tax return **and** either you or your spouse is age 65 or over or blind, use the following table.

	If 65 or over or blind, enter on line J:	If 65 or over and blind, enter on line J:
Single	$1,210	$1,960
Head of Household	$2,610	$3,360
Married-Joint	$1,840 **	$2,440 **
Married-Separate	$1,220	$1,820
Qualifying Widow(er)	$1,840	$2,440

**If your spouse is 65 or over or blind, add $600 to this amount. Add $1,200 if spouse is both 65 or over and blind.

Line K—Tax Credits.— Enter the amount of any tax credits you expect to claim, such as the credit for child and dependent care expenses, the earned income credit (EIC), and other credits shown on the 1986 Form 1040. The amount of the EIC has increased for 1987. Get Publication 553 for details. Do not include the EIC if you are receiving advance payment of it.

Line O.— Round the result to the nearest whole number. Drop amounts under .50. Increase amounts from .50 to .99 to the next whole number. For example, 3.25 becomes 3, and 4.61 becomes 5.

Lines Q through T—Working Spouse? More Than One Job? Nonwage Income?—So that you will have enough tax withheld, you MUST complete any lines that apply to you.

Line U—Total Withholding Allowances.—If the number on line T is larger than the number on line P, you will probably owe more tax when you file your return and may have to pay a penalty unless you take further steps to have more tax withheld from your pay. You may use the instructions for Step 4 to estimate how much additional tax you should request your employer to withhold each pay period. As an alternative, you may use the 1987 **Form 1040-ES**, Estimated Tax for Individuals, to make this computation.

Step 4—Additional Amount You Want Deducted From Each Pay.—In some instances, you will be underwithheld, even if you do not claim any withholding allowances on Form W-4. This could occur if you have a working spouse, more than one job at a time, or nonwage income, AND the number on line T of the worksheet is larger than the number on line P.

To correct this problem, you may have more tax withheld by filling in a dollar amount on line 5 of Form W-4. A method of figuring this amount follows:

1. Enter the number from line T of the worksheet . . . ____________
2. Enter the number from line P of the worksheet . . . ____________
3. Subtract line 2 from line 1 . ____________
4. Enter the amount from the table below that applies to you . . . . $____________
5. Multiply line 3 by line 4 . . $____________
6. Divide line 5 by the number of pay periods each year. Enter the result here and on Form W-4, line 5 . . . . $____________

Married Workers' Combined Annual Income	Line 4 Amount
Under $4,860	$209
$4,860 - $29,860	$285
$29,861 - $46,860	$532
$46,861 - $91,860	$665
$91,861 and over	$732

Unmarried Worker's Annual Income	Line 4 Amount
Under $2,440	$209
$2,440 - $17,440	$285
$17,441 - $27,640	$532
$27,641 - $54,640	$665
$54,641 and over	$732

Privacy Act and Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We may give the information to the Department of Justice for civil or criminal litigation and to cities, states, and the District of Columbia for use in administering their tax laws. You are required to give this information to your employer.

Department of the Treasury - Internal Revenue Service

Form **1040EZ** **Income Tax Return for Single filers with no dependents** (0) **1987** OMB No. 1545-0675

Name & address

Use the IRS mailing label. If you don't have one, please print.

Print your name above (first, initial, last)

Present home address (number and street). (If you have a P.O. box, see instructions.)

City, town, or post office, state, and ZIP code

Please print your numbers like this:

0 1 2 3 4 5 6 7 8 9

Your social security number

Please read the instructions for this form on the reverse side.

Presidential Election Campaign Fund
Do you want $1 to go to this fund? Note: Checking "Yes" will not change your tax or reduce your refund. ▶

Report your income

1 Total wages, salaries, and tips. This should be shown in Box 10 of your W-2 form(s). (Attach your W-2 form(s).) 1

2 Taxable interest income of $400 or less. If the total is more than $400, you cannot use Form 1040EZ. 2

Attach Copy B of Form(s) W-2 here

3 Add line 1 and line 2. This is your **adjusted gross income.** 3

4 Can you be claimed as a dependent on another person's return?
☐ Yes. Do worksheet on back; enter amount from line E here.
☐ No. Enter 2,540 as your standard deduction. 4

5 Subtract line 4 from line 3. 5

6 If you checked the "Yes" box on line 4, enter 0.
If you checked the "No" box on line 4, enter 1,900.
This is your **personal exemption**. 6

7 Subtract line 6 from line 5. If line 6 is larger than line 5, enter 0 on line 7. This is your **taxable income.** 7

Figure your tax

8 Enter your Federal income tax withheld. This should be shown in Box 9 of your W-2 form(s). 8

9 Use the **single** column in the tax table on pages 32-37 of the Form 1040A instruction booklet to find the **tax** on the amount shown on **line 7** above. Enter the amount of tax. 9

Refund or amount you owe

Attach tax payment here

10 If **line 8** is larger than line 9, subtract line 9 from line 8. Enter the **amount of your refund.** 10

11 If line 9 is larger than line 8, subtract line 8 from line 9. Enter the **amount you owe.** Attach check or money order for the full amount, payable to "Internal Revenue Service." 11

Sign your return

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and complete.

Your signature Date

For Privacy Act and Paperwork Reduction Act Notice, see page 31.

1987 Instructions for Form 1040EZ

Use this form if:

- Your filing status is single.
- You do not claim any dependents.
- You are not 65 or over, OR blind.
- Your taxable income is less than $50,000.
- You had **only** wages, salaries, and tips, and your taxable interest income was $400 or less. **Caution:** If you received tips (including allocated tips) that are not included in Box 14 of your W-2 form, you may not be able to use Form 1040EZ. See page 17 in the **Instructions for preparing 1040EZ and 1040A.** If you can't use this form, you must use Form 1040A or Form 1040. See pages 6 through 8 in the instruction booklet. If you are uncertain about your filing status, see page 9 of the booklet.

Completing your return

It will make it easier for us to process your return if you print your numbers (do not type) and keep them inside the boxes. Do not use dollar signs. You may find calculations easier if you round off cents to whole dollars. See page 15 of the instruction booklet for details.

Name & address

Use the mailing label we sent you. After you complete your return, carefully place the label in the name and address area. Mark through any errors on the label and print the correct information on the label. Use of the label saves processing time. If you don't have a label, print the information on the name and address lines. If your post office does not deliver mail to your street address and you have a P.O. box, enter your P.O. box number on the line for your present home address instead of your street address.

Presidential campaign fund

Congress set up this fund to help pay for Presidential election campaigns. You may have one of your tax dollars go to this fund by checking the "Yes" box. Checking the "Yes" box does not change the tax or refund shown on your return.

Report your income

Line 1. Enter on line 1 the total amount you received in wages, salaries, and tips. This should be shown in Box 10 of your 1987 wage statement(s), **Form W-2**. If you don't receive your W-2 form by February 15, contact your local IRS office. You must still report your earnings even if you don't get a Form W-2 from your employer. Attach the first copy or Copy B of your W-2 form(s) to your return.

Line 2. Enter on line 2 the total taxable interest income you received from all sources, such as banks, savings and loans, and credit unions. You should receive a **Form 1099-INT** from each institution that paid you interest. You cannot use Form 1040EZ if your total taxable interest income is over $400. If you received tax-exempt interest, such as interest on municipal bonds, in the space to the left of line 2, write "TEI" and show the amount of your tax-exempt interest. DO NOT include tax-exempt interest in the total entered in the boxes on line 2.

Line 4. If you checked the "Yes" box because you can be claimed as a dependent on another person's return (such as your parents'), complete the following worksheet to figure the amount to enter on line 4. For information on dependents, see page 12 of the instruction booklet.

Standard deduction worksheet for dependents

A.	Enter the amount from line 1 on front.	A.	
B.	Minimum amount.	B.	500.00
C.	**Compare** the amounts on lines A and B above. Enter the LARGER of the two amounts here.	C.	
D.	Maximum amount.	D.	2,540.00
E.	**Compare** the amounts on lines C and D above. Enter the SMALLER of the two amounts here and on line 4 on front.	E.	

Line 6. Generally, you should enter 1,900 on line 6 as your personal exemption. However, if you can be claimed as a dependent on another person's return (such as your parents'), you cannot claim a personal exemption for yourself; enter 0 on line 6. If you are entitled to additional exemptions for your spouse, for your dependent children, or for other dependents, you cannot use Form 1040EZ.

Figure your tax

Line 8. Enter the amount of Federal income tax withheld. This should be shown in Box 9 of your 1987 W-2 form(s). If you had two or more employers and had total wages of over $43,800, see page 26 of the instruction booklet. If you cannot be claimed as a dependent and you want IRS to figure your tax for you, complete lines 1 through 8, sign and date your return. If you want to figure your own tax, continue with these instructions.

Line 9. Use the amount on line 7 to find your tax in the tax table on pages 32–37 of the instruction booklet. Be sure to use the column in the tax table for **single taxpayers.** Enter the amount of tax on line 9. If your tax from the tax table is zero, enter 0.

Refund or amount you owe

Line 10. If line 8 is larger than line 9, you are entitled to a refund. Subtract line 9 from line 8, and enter the result on line 10.

Line 11. If line 9 is larger than line 8, you owe more tax. Subtract line 8 from line 9, and enter the result on line 11. Attach your check or money order for the full amount. Write your social security number, daytime phone number, and "1987 Form 1040EZ" on your payment.

Sign your return

You must sign and date your return. If you pay someone to prepare your return, that person must also sign it below the space for your signature and supply the other information required by IRS. See page 29.

Mailing your return

File your return by **April 15, 1988.** Mail it to us in the addressed envelope that came with the instruction booklet. If you don't have an addressed envelope, see page 3 for the address.

★ U.S. GOVERNMENT PRINTING OFFICE 1987—183-134

Form
1040A

Department of the Treasury — Internal Revenue Service

U.S. Individual Income Tax Return 1987

OMB No. 1545-0085

Step 1
Label

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial) Last name

Present home address (number and street). (If you have a P.O. Box, see page 9 of the instructions.)

City, town or post office, state, and ZIP code

Your social security no.

Spouse's social security no.

For Privacy Act and Paperwork Reduction Act Notice, see page 31.

Presidential Election Campaign Fund

Do you want $1 to go to this fund? . . . . ☐ Yes ☐ No
If joint return, does your spouse want $1 to go to this fund?. ☐ Yes ☐ No

Note: *Checking "Yes" will not change your tax or reduce your refund.*

Step 2
Check your filing status
(Check only one)

1 ☐ Single (See if you can use Form 1040EZ.)
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security number above and spouse's full name here. ____
4 ☐ Head of household (with qualifying person). If the qualifying person is your child but not your dependent, enter this child's name here. ____

Step 3
Figure your exemptions
(See page 12 of instructions.)

Caution: If you can be claimed as a dependent on another person's tax return (such as your parents' return), do not check box 5a. But be sure to check the box on line 14b on page 2.

5a ☐ **Yourself** **5b** ☐ **Spouse**

c Dependents: 1. Name (first, initial, and last name)	2. Check if under age 5	3. If age 5 or over, dependent's social security number	4. Relationship	5. No. of months lived in your home in 1987

If more than 7 dependents, attach statement.

No. of boxes checked on 5a and 5b ____
No. of children on 5c who lived with you ____
No. of children on 5c who didn't live with you due to divorce or separation ____
No. of parents listed on 5c ____
No. of other dependents listed on 5c ____
Add numbers entered on lines above ☐

Attach Copy B of Form(s) W-2 here.

d If your child didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here . . . . ▶ ☐
e Total number of exemptions claimed. (Also complete line 16.)

Step 4
Figure your total income

Attach check or money order here.

6 Wages, salaries, tips, etc. This should be shown in Box 10 of your W-2 form(s). (Attach Form(s) W-2.) 6
7a **Taxable** interest income (see page 17). (If over $400, also complete and attach Schedule 1, Part II.) 7a
b **Tax-exempt** interest income (see page 17). (DO NOT include on line 7a.) 7b
8 **Dividends. (If over $400, also complete and attach Schedule 1, Part III.)** 8
9 **Unemployment compensation** (insurance) from Form(s) 1099-G. 9
10 Add lines 6, 7a, 8, and 9. Enter the total. This is your **total income.** ▶ 10

Step 5
Figure your adjusted gross income

11a Your IRA deduction from applicable Worksheet. New rules for IRAs begin on page 18. 11a
b Spouse's IRA deduction from applicable Worksheet. New rules for IRAs begin on page 18. 11b
c Add lines 11a and 11b. Enter the total. These are your **total adjustments.** 11c
12 Subtract line 11c from line 10. Enter the result. This is your **adjusted gross income.** (If this line is less than $15,432 and a child lived with you, see "Earned Income Credit" (line 21b) on page 27 of instructions.) ▶ 12

Form **1040A** (1987)

Step 6
Figure your standard deduction,

13 Enter the amount from line 12. 13

14a Check if: ☐ You were 65 or over ☐ Blind ☐ Spouse was 65 or over ☐ Blind Enter number of boxes checked ▶ 14a ☐

b If you can be claimed as a dependent on another person's return (such as your parents' return), check here . . . . ▶ 14b ☐

c If you are married filing separately and your spouse files Form 1040 and itemizes deductions, check here . . . . ▶ 14c ☐

d **Standard deduction.** If you checked a box on line 14a, b, or c, see page 22 for amount to enter on line 14d. If no box is checked, enter amount shown below for your filing status.

Filing status from page 1
- Single or Head of household, enter $2,540
- Married filing joint return, enter $3,760
- Married filing separate return, enter $1,880

14d

Exemption amount, and

15 Subtract line 14d from line 13. Enter the result. 15

16 Multiply $1,900 by the total number of exemptions claimed on line 5e. Or, figure your exemption amount from the chart on page 24 of the instructions. 16

Taxable income

17 Subtract line 16 from line 15. Enter the result. This is your **taxable income.** ▶ 17

If You Want IRS To Figure Your Tax, See Page 24 of the Instructions.

Step 7
Figure your tax, credits, and payments (including advance EIC payments)

Caution: If you are under age 14 and have more than $1,000 of investment income, see page 24 of the instructions and check here . . . . ▶ ☐

18 Find the tax on the amount on line 17. Check if from: ☐ Tax Table (pages 32–37); or ☐ Form 8615, Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than $1,000. 18

19 Credit for child and dependent care expenses. Complete and attach Schedule 1, Part I. 19

20 Subtract line 19 from line 18. Enter the result. (If line 19 is more than line 18, enter -0- on line 20.) This is your **total tax.** ▶ 20

21a Total Federal income tax withheld. This should be shown in Box 9 of your W-2 form(s). (If line 6 is more than $43,800, see page 26.) 21a

b Earned income credit, from the worksheet on page 28 of the instructions. Also see page 27. 21b

22 Add lines 21a and 21b. Enter the total. These are your **total payments.** ▶ 22

Step 8
Figure your refund or amount you owe

23 If line 22 is larger than line 20, subtract line 20 from line 22. Enter the result. This is the **amount of your refund.** 23

24 If line 20 is larger than line 22, subtract line 22 from line 20. Enter the result. This is the **amount you owe.** Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number, daytime phone number, and "1987 Form 1040A" on it. 24

Step 9
Sign your return

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature Date Your occupation

X

Spouse's signature (if joint return, both must sign) Date Spouse's occupation

X

Paid preparer's use only

Preparer's signature Date Preparer's social security no.

X

Firm's name (or yours if self-employed) Employer identification no.

Check if self-employed ☐

Address and ZIP code

1987 Schedule 1 (Form 1040A)

OMB No. 1545-0085

Name(s) as shown on Form 1040A

Your social security number

You MUST complete and attach Schedule 1 to Form 1040A only if you:

- Claim the credit for child and dependent care expenses (complete **Part I**)
- Have over $400 of taxable interest income (complete **Part II**)
- Have over $400 of dividend income (complete **Part III**)

Part I

Credit for child and dependent care expenses (see page 24 of the instructions)

Complete this part to figure the amount of credit you can take on Form 1040A, line 19. Attach Schedule 1 to Form 1040A.

Note: *If you paid cash wages of $50 or more in a calendar quarter to an individual for services performed in your home, you must file an employment tax return. Get* **Form 942** *for details.*

1 Enter the number of qualifying persons who were cared for in 1987. (See the instructions for the definition of a qualifying person.) 1

2 Enter the amount of **qualified** expenses you incurred and actually paid in 1987 for the care of the qualifying person. (See the instructions for which expenses qualify for the credit.) DO NOT enter more than $2,400 ($4,800 if you paid for the care of two or more qualifying persons). 2

3 a You **must** enter your earned income on line 3a. 3a

b If you are married, filing a joint return for 1987, you must enter your spouse's earned income on line 3b. (If spouse is a full-time student or is disabled, see the instructions for amount to enter on this line.) 3b

c If you are married, compare the amounts on lines 3a and 3b, and enter the **smaller** of the two amounts on line 3c. 3c

4
- If you were unmarried at the end of 1987, compare the amounts on lines 2 and 3a, and enter the **smaller** of the two amounts on line 4.
- If you are married, filing a joint return for 1987, compare the amounts on lines 2 and 3c, and enter the **smaller** of the two amounts on line 4. 4

5 Enter the percentage from the table below that applies to the amount on Form 1040A, line 13.

If line 13 is: Over—	But not over—	Percentage is:	If line 13 is: Over—	But not over—	Percentage is:
$0	10,000	30% (.30)	$20,000	22,000	24% (.24)
10,000	12,000	29% (.29)	22,000	24,000	23% (.23)
12,000	14,000	28% (.28)	24,000	26,000	22% (.22)
14,000	16,000	27% (.27)	26,000	28,000	21% (.21)
16,000	18,000	26% (.26)	28,000		20% (.20)
18,000	20,000	25% (.25)			

5 × .

6 Multiply the amount on line 4 by the percentage on line 5. Enter the result here and on Form 1040A, line 19. 6 =

OMB No. 1545-0085

1987 **Schedule 1 (Form 1040A)**

Name(s) as shown on Form 1040A. (Do not complete if shown on other side.)

Your social security number

Part II

Interest income (see page 17 of the instructions)

Complete this part and attach Schedule 1 to Form 1040A if you received over $400 in taxable interest income.

Note: *If you received a Form 1099-INT or Form 1099-OID from a brokerage firm, enter the firm's name and the total interest shown on that form.*

1 List name of payer	Amount
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$

2 Add amounts on line 1. Enter the total here and on Form 1040A, line 7a. 2

Part III

Dividend income (see page 18 of the instructions)

Complete this part and attach Schedule 1 to Form 1040A if you received over $400 in dividends.

Note: *If you received a Form 1099-DIV from a brokerage firm, enter the firm's name and the total dividends shown on that form.*

1 List name of payer	Amount
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$

2 Add amounts on line 1. Enter the total here and on Form 1040A, line 8. 2

★U.S. GOVERNMENT PRINTING OFFICE: 1987 183-483 E.I. 43-0787287

Form **1040** Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return 1987 (0)

For the year Jan.–Dec. 31, 1987, or other tax year beginning , 1987, ending , 19 | OMB No. 1545-0074

Label

Use IRS label.
Otherwise,
please print or
type.

Your first name and initial (if joint return, also give spouse's name and initial) | Last name | **Your social security number**

Present home address (number and street or rural route). (If you have a P.O. Box, see page 6 of Instructions.) | **Spouse's social security number**

City, town or post office, state, and ZIP code | **For Privacy Act and Paperwork Reduction Act Notice, see Instructions.**

Presidential Election Campaign

Do you want $1 to go to this fund?	☐ Yes	☐ No	**Note:** *Checking "Yes" will not change your tax or reduce your refund.*
If joint return, does your spouse want $1 to go to this fund?	☐ Yes	☐ No	

Filing Status

Check only one box.

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here. ____
4 ☐ Head of household (with qualifying person). (See page 7 of Instructions.) If the qualifying person is your child but not your dependent, enter child's name here. ____
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 7 of Instructions.)

Exemptions

(See Instructions on page 7.)

Caution: If you can be claimed as a dependent on another person's tax return (such as your parents' return), do not check box 6a. But be sure to check the box on line 32b on page 2.

6a ☐ Yourself   6b ☐ Spouse

c Dependents

(1) Name (first, initial, and last name)	(2) Check if under age 5	(3) If age 5 or over, dependent's social security number	(4) Relationship	(5) No. of months lived in your home in 1987

If more than 7 dependents, see Instructions on page 7.

d If your child didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here . ▶ ☐

e Total number of exemptions claimed (also complete line 35) . . .

No. of boxes checked on 6a and 6b ▶	☐
No. of children on 6c who lived with you ▶	☐
No. of children on 6c who didn't live with you due to divorce or separation ▶	☐
No. of parents listed on 6c ▶	☐
No. of other dependents listed on 6c ▶	☐
Add numbers entered in boxes above ▶	☐

Income

Please attach Copy B of your Forms W-2, W-2G, and W-2P here.

If you do not have a W-2, see page 6 of Instructions.

Please attach check or money order here.

7	Wages, salaries, tips, etc. *(attach Form(s) W-2)*		7	
8	Taxable interest income *(also attach Schedule B if over $400)*		8	
9	Tax-exempt interest income (see page 10). DON'T include on line 8	9		
10	Dividend income *(also attach Schedule B if over $400)*		10	
11	Taxable refunds of state and local income taxes, if any, from worksheet on page 11 of Instructions		11	
12	Alimony received		12	
13	Business income or (loss) *(attach Schedule C)*		13	
14	Capital gain or (loss) *(attach Schedule D)*		14	
15	Other gains or (losses) *(attach Form 4797)*		15	
16a	Pensions, IRA distributions, annuities, and rollovers. Total received	16a		
b	Taxable amount (see page 11)		16b	
17	Rents, royalties, partnerships, estates, trusts, etc. *(attach Schedule E)*		17	
18	Farm income or (loss) *(attach Schedule F)*		18	
19	Unemployment compensation (insurance) (see page 11)		19	
20a	Social security benefits (see page 12)	20a		
b	Taxable amount, if any, from the worksheet on page 12		20b	
21	Other income (list type and amount—see page 12) ____		21	
22	Add the amounts shown in the far right column for lines 7, 8, and 10–21. This is your **total income** ▶		22	

Adjustments to Income

(See Instructions on page 12.)

23	Reimbursed employee business expenses from Form 2106	23			
24a	Your IRA deduction, from applicable worksheet on page 13 or 14	24a			
b	Spouse's IRA deduction, from applicable worksheet on page 13 or 14	24b			
25	Self-employed health insurance deduction, from worksheet on page 14	25			
26	Keogh retirement plan and self-employed SEP deduction	26			
27	Penalty on early withdrawal of savings	27			
28	Alimony paid (recipient's last name ____ and social security no. ____)	28			
29	Add lines 23 through 28. These are your **total adjustments** ▶			29	

Adjusted Gross Income

30	Subtract line 29 from line 22. This is your **adjusted gross income.** *If this line is less than $15,432 and a child lived with you, see "Earned Income Credit" (line 56) on page 18 of the Instructions. If you want IRS to figure your tax, see page 15 of the Instructions* ▶	30	

[redacted]

31 Amount from line 30 (adjusted gross income) **31**

32a Check if: ☐ You were 65 or over ☐ Blind; ☐ Spouse was 65 or over ☐ Blind.
Add the number of boxes checked and enter the total here . . . . ▶ **32a**

b If you can be claimed as a dependent on another person's return, check here . . ▶ **32b** ☐

c If you are married filing a separate return and your spouse itemizes deductions, or you are a dual-status alien, see page 15 and check here . . ▶ **32c** ☐

33a **Itemized deductions.** See page 15 to see if you should itemize. If you don't itemize, enter zero. If you do itemize, attach Schedule A, enter the amount from Schedule A, line 26, **AND** skip line 33b . **33a**

Caution: If you checked any box on line 32a, b, or c and you don't itemize, see page 16 for the amount to enter on line 33b.

b **Standard deduction.** Read **Caution** to left. If it applies, see page 16 for the amount to enter.
If **Caution** doesn't apply and your filing status from page 1 is:
- Single or Head of household, enter $2,540
- Married filing jointly or Qualifying widow(er), enter $3,760
- Married filing separately, enter $1,880

. . . . **33b**

34 Subtract line 33a or 33b, whichever applies, from line 31. Enter the result here . . . **34**

35 Multiply $1,900 by the total number of exemptions claimed on line 6e or see chart on page 16 . **35**

36 **Taxable income.** Subtract line 35 from line 34. Enter the result (but not less than zero) . . **36**

Caution: If under age 14 and you have more than $1,000 of investment income, check here ▶☐ and see page 16 to see if you have to use Form 8615 to figure your tax.

37 Enter tax. Check if from ☐ Tax Table, ☐ Tax Rate Schedules, ☐ Schedule D, or ☐ Form 8615 **37**

38 Additional taxes (see page 16). Check if from ☐ Form 4970 or ☐ Form 4972 . . . **38**

39 Add lines 37 and 38. Enter the total . . . . ▶ **39**

[redacted]

(See Instructions on page 17.)

40 Credit for child and dependent care expenses *(attach Form 2441)* **40**

41 Credit for the elderly or for the permanently and totally disabled *(attach Schedule R)* **41**

42 Add lines 40 and 41. Enter the total **42**

43 Subtract line 42 from line 39. Enter the result (but not less than zero) . . . **43**

44 Foreign tax credit *(attach Form 1116)* **44**

45 General business credit. Check if from ☐ Form 3800, ☐ Form 3468, ☐ Form 5884, ☐ Form 6478, ☐ Form 6765, or ☐ Form 8586 . . **45**

46 Add lines 44 and 45. Enter the total **46**

47 Subtract line 46 from line 43. Enter the result (but not less than zero) . . . ▶ **47**

[redacted]

(Including Advance EIC Payments)

48 Self-employment tax *(attach Schedule SE)* **48**

49 Alternative minimum tax *(attach Form 6251)* **49**

50 Tax from recapture of investment credit *(attach Form 4255)* **50**

51 Social security tax on tip income not reported to employer *(attach Form 4137)* . . **51**

52 Tax on an IRA or a qualified retirement plan *(attach Form 5329)* . . . **52**

53 Add lines 47 through 52. This is your **total tax** . . . . ▶ **53**

[redacted]

Attach Forms W-2, W-2G, and W-2P to front.

54 Federal income tax withheld (including tax shown on Form(s) 1099) **54**

55 1987 estimated tax payments and amount applied from 1986 return **55**

56 Earned income credit (see page 18) . . **56**

57 Amount paid with Form 4868 (extension request) . . **57**

58 Excess social security tax and RRTA tax withheld (see page 19) **58**

59 Credit for Federal tax on gasoline and special fuels *(attach Form 4136)* **59**

60 Regulated investment company credit *(attach Form 2439)* . **60**

61 Add lines 54 through 60. These are your **total payments** . . . ▶ **61**

[redacted]

62 If line 61 is larger than line 53, enter amount **OVERPAID** . . . ▶ **62**

63 Amount of line 62 to be **REFUNDED TO YOU** . . . ▶ **63**

64 Amount of line 62 to be applied to your 1988 estimated tax . . ▶ **64**

65 If line 53 is larger than line 61, enter **AMOUNT YOU OWE.** Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number, daytime phone number, and "1987 Form 1040" on it . . . **65**

Check ▶ ☐ if Form 2210 (2210F) is attached. See page 20. Penalty: $

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Please Sign Here

Your signature | Date | Your occupation

Spouse's signature (if joint return, BOTH must sign) | Date | Spouse's occupation

Paid Preparer's Use Only

Preparer's signature | Date | Check if self-employed ☐ | Preparer's social security no.

Firm's name (or yours if self-employed) and address | E.I. No. | ZIP code

168

103

SCHEDULES A&B
(Form 1040)
Department of the Treasury
Internal Revenue Service (B)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074
1987
Attachment Sequence No. 07

Name(s) as shown on Form 1040

Your social security number

Medical and Dental Expenses **(Do not include expenses reimbursed or paid by others.)** (See Instructions on page 21.)	1a	Prescription medicines and drugs, insulin, doctors, dentists, nurses, hospitals, insurance premiums you paid for medical and dental care, etc.	1a	
	b	Transportation and lodging	1b	
	c	Other (list—include hearing aids, dentures, eyeglasses, etc.) ▶	1c	
	2	Add lines 1a through 1c, and enter the total here	2	
	3	Multiply the amount on Form 1040, line 31, by 7.5% (.075)	3	
	4	Subtract line 3 from line 2. If zero or less, enter -0-. Total medical and dental ▶		4
Taxes You Paid (See Instructions on page 22.)		Note: Sales taxes are no longer deductible.		
	5	State and local income taxes	5	
	6	Real estate taxes	6	
	7	Other taxes (list—include personal property taxes) ▶	7	
	8	Add the amounts on lines 5 through 7. Enter the total here. Total taxes ▶		8
Interest You Paid (See Instructions on page 22.)		Note: If you borrowed any new amounts against your home after 8/16/86 and at any time in 1987 the total of all your mortgage debts was more than what you paid for your home plus improvements, attach Form 8598 and check here ▶ ☐		
	9a	Deductible home mortgage interest you paid to financial institutions (report deductible points on line 10)	9a	
	b	Deductible home mortgage interest you paid to individuals (show that person's name and address) ▶	9b	
	10	Deductible points	10	
	11	Deductible investment interest	11	
	12a	Personal interest you paid (see page 22) 12a		
	b	Multiply the amount on line 12a by 65% (.65). Enter the result	12b	
	13	Add the amounts on lines 9a through 11, and 12b. Enter the total here. Total interest ▶		13
Contributions You Made (See Instructions on page 23.)	14a	Cash contributions. (If you gave $3,000 or more to any one organization, report those contributions on line 14b.)	14a	
	b	Cash contributions totaling $3,000 or more to any one organization. (Show to whom you gave and how much you gave.) ▶	14b	
	15	Other than cash. (You must attach Form 8283 if over $500.)	15	
	16	Carryover from prior year	16	
	17	Add the amounts on lines 14a through 16. Enter the total here. Total contributions ▶		17
Casualty and Theft Losses	18	Casualty or theft loss(es) (attach Form 4684). (See page 23 of the Instructions.) ▶		18
Moving Expenses	19	Moving expenses (attach Form 3903 or 3903F). (See page 24 of the Instructions.) ▶		19
Miscellaneous Deductions Subject to 2% AGI Limit (See Instructions on page 24.)	20	Unreimbursed employee business expenses (attach Form 2106)	20	
	21	Other expenses (list type and amount) ▶	21	
	22	Add the amounts on lines 20 and 21. Enter the total.	22	
	23	Multiply the amount on Form 1040, line 31, by 2% (.02). Enter the result here	23	
	24	Subtract line 23 from line 22. Enter the result (but not less than zero) ▶		24
Other Miscellaneous Deductions	25	Miscellaneous deductions not subject to 2% AGI limit (see page 24). (List type and amount.) ▶		25
Total Itemized Deductions	26	Add the amounts on lines 4, 8, 13, 17, 18, 19, 24, and 25. Enter the total here and on Form 1040, line 33a ▶		26

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedule A (Form 1040) 1987

Schedules A&B (Form 1040) 1987 OMB No. 1545-0074 Page 2

Name(s) as shown on Form 1040. (Do not enter name and social security number if shown on other side.)

Your social security number

Schedule B—Interest and Dividend Income

Attachment Sequence No. 08

Part I Interest Income

(See Instructions on pages 9 and 24.)

Also complete Part III.

Note: If you received a Form 1099–INT or Form 1099–OID from a brokerage firm, enter the firm's name and the total interest shown on that form.

If you received more than $400 in taxable interest income, you must complete Part I and list ALL interest received. If you received, as a nominee, interest that actually belongs to another person, or you received or paid accrued interest on securities transferred between interest payment dates, see page 24.

Interest Income		Amount
1 Interest income from seller-financed mortgages. (See Instructions and list name of payer.) ▶	1	
2 Other interest income (list name of payer) ▶	2	
3 Add the amounts on lines 1 and 2. Enter the total here and on Form 1040, line 8. ▶	3	

Part II Dividend Income

(See Instructions on pages 10 and 25.)

Also complete Part III.

Note: If you received a Form 1099-DIV from a brokerage firm, enter the firm's name and the total dividends shown on that form.

If you received more than $400 in gross dividends and/or other distributions on stock, complete Part II. If you received, as a nominee, dividends that actually belong to another person, see page 25.

Dividend Income				Amount
4 Dividend income (list name of payer—include on this line capital gain distributions, nontaxable distributions, etc.) ▶			4	
5 Add the amounts on line 4. Enter the total here			5	
6 Capital gain distributions. Enter here and on line 13, Schedule D.*	6			
7 Nontaxable distributions. (See Schedule D Instructions for adjustment to basis.)	7			
8 Add the amounts on lines 6 and 7. Enter the total here			8	
9 Subtract line 8 from line 5. Enter the result here and on Form 1040, line 10 ▶			9	

*If you received capital gain distributions but do not need Schedule D to report any other gains or losses or to figure your tax (see the Tax Tip under Capital gain distributions on page 10), enter your capital gain distributions on Form 1040, line 14. Write "CGD" on the dotted line to the left of line 14.

Part III Foreign Accounts and Foreign Trusts

(See Instructions on page 25.)

If you received more than $400 of interest or dividends, OR if you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III.	Yes	No
10 At any time during the tax year, did you have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? (See page 25 of the Instructions for exceptions and filing requirements for Form TD F 90-22.1.)		
If "Yes," enter the name of the foreign country ▶		
11 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A, or 926		

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedule B (Form 1040) 1987

☆U.S. GOVERNMENT PRINTING OFFICE: 1987 183-483 E.I. 43-0787287

Form **2441**

Department of the Treasury
Internal Revenue Service (O)

Credit for Child and Dependent Care Expenses

▶ Attach to Form 1040.
▶ See instructions below.

OMB No 1545-0068

1987

Attachment Sequence No 23

Name(s) as shown on Form 1040	Your social security number

Note: *If you paid cash wages of $50 or more in a calendar quarter to an individual for services performed in your home, you must file an employment tax return. Get Form 942 for details.*

1	Enter number of qualifying persons who were cared for in 1987 (See instructions for definition of qualifying persons.) ▶	1	
2	Enter the amount of **qualified** expenses you incurred and actually paid in 1987 for the care of the qualifying person. (**See What Are Qualified Expenses** in the instructions.) **Do not** enter more than $2,400 ($4,800 if you paid for the care of two or more qualifying persons)	2	
3a	You **must** enter your earned income on line 3a. See line 3 instructions for definition of earned income	3a	
b	If you are married, filing a joint return for 1987, you must enter your spouse's earned income on line 3b. (If spouse is a full-time student or is disabled, see the line 3 instructions for amount to enter.)	3b	
c	If you are married filing a joint return, compare the amounts on lines 3a and 3b, and enter the **smaller** of the two amounts on line 3c	3c	
4	• If you were unmarried at the end of 1987, compare the amounts on lines 2 and 3a, and enter the **smaller** of the two amounts on line 4. • If you are married filing a joint return, compare the amounts on lines 2 and 3c, and enter the **smaller** of the two amounts on line 4.	4	
5	Enter percentage from table below that applies to the adjusted gross income on Form 1040, line 31	5	×
6	Multiply the amount on line 4 by the percentage shown on line 5, and enter the result	6	
7	Multiply any child and dependent care expenses for 1986 that you paid in 1987 by the percentage that applies to the adjusted gross income on your 1986 Form 1040, line 33, or Form 1040A, line 15. Enter the result. (See line 7 instructions for the required statement.)	7	
8	Add amounts on lines 6 and 7. See the worksheet in the instructions for line 8 for the amount of credit you can claim	8	

If line 31 is: Over—	But not over—	Percentage is:
	$0–10,000	30% (.30)
10,000–	12,000	29% (.29)
12,000–	14,000	28% (.28)
14,000–	16,000	27% (.27)
16,000–	18,000	26% (.26)
18,000–	20,000	25% (.25)
$20,000–	22,000	24% (.24)
22,000–	24,000	23% (.23)
24,000–	26,000	22% (.22)
26,000–	28,000	21% (.21)
28,000		20% (.20)

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

What Is the Child and Dependent Care Expenses Credit?

You may be able to take a tax credit for amounts you paid someone to care for your child or other qualifying person so you could work or look for work in 1987. The most the credit may be is $720 for the care of one qualifying person, or $1,440 for the care of two or more qualifying persons.

Additional Information.—For more details, please get **Publication 503**, Child and Dependent Care Credit, and Employment Taxes for Household Employers.

Who Is a Qualifying Person?

A qualifying person is:

- Any person under age 15 whom you claim as a dependent (but see the rule for **Children of divorced or separated parents**).
- Your disabled spouse who is mentally or physically unable to care for himself or herself.
- Any disabled person who is mentally or physically unable to care for himself or herself and whom you claim as a dependent, or could claim as a dependent except that he or she had income of $1,900 or more.

Note: *You must have shared the same home with any person you claim as a qualifying person.*

Children of divorced or separated parents.—If you were divorced, legally separated, or lived apart from your spouse during the last 6 months of 1987, you may be able to claim the credit even if your child is not your dependent. If your child is not your dependent, he or she is a qualifying person if **all five** of the following apply:

1. You had custody of the child for the longer period during the year; and
2. The child received over half of his or her support from one or both of the parents; and
3. The child was in the custody of one or both of the parents over half of the year; and
4. The child was under age 15, or was physically or mentally unable to care for himself or herself; and
5. The child is not your dependent because—

a. As the custodial parent, you have signed **Form 8332**, Release of Claim to Exemption for Child of Divorced or Separated Parents, or a similar statement, agreeing not to claim the child's exemption for 1987; or

b. You were divorced or separated before 1985 and your divorce decree or written agreement states that the other parent can claim the child's exemption, and the other parent provides at least $600 in child support during the year. **Note:** *This rule does not apply if your decree or agreement was changed after 1984 to specify that the other parent cannot claim the child's exemption.*

Who May Take the Credit?

To claim the credit, **all five** of the following must apply:

1. You paid for the care so you (and your spouse if you were married) could work or look for work (but see the rules at the line 3 instructions for **Spouse who is a full-time student or is disabled**).
2. You and the qualifying person(s) lived in the same home.
3. You (and your spouse if you were married) paid over half the cost of keeping up your home. The cost includes: rent; mortgage interest; property taxes; utilities; home repairs; and food eaten at home.

(Continued on back)

4. The person you paid to provide the care was not your spouse or a person you could claim as a dependent.

Note: *If the person you paid to provide the care was your child, he or she must have been 19 or over by the end of 1987.*

5. If you were married at the end of 1987, generally, you must file a joint tax return. However, there are two exceptions to this rule. You will be treated as unmarried and still be eligible to take the credit if:

a. You were legally separated; or

b. You were living apart from your spouse during the last 6 months of the year, and the qualifying person lived with you in your home over 6 months, and you provided over half the cost of keeping up your home.

What Are Qualified Expenses?

Qualified expenses include amounts paid for household services and care of the qualifying person while you work or look for work.

Household services.—These services must be needed to care for the qualifying person as well as to run the home. They include, for example, the services of a cook, maid, babysitter, housekeeper, or cleaning person if the services were partly for the care of the qualifying person. Do not include services of a chauffeur or gardener.

Note: ***If you paid cash wages of $1,000 or more for household services in any calendar quarter in 1986 or 1987, you should file a Form 940 for 1987 by February 1, 1988.***

Care of the qualifying person.—Care includes the cost of services for the qualifying person's well-being and protection. It does not include the cost of clothing or entertainment.

Generally, care does not include food or schooling expenses. However, if these items are included as part of the total care, and they are incident to, and cannot be separated from, the total cost, you may count the total payment. However, you may not count the cost of schooling for a child in the first grade or above.

Care outside the home.—You may count care provided outside your home if the care was for your dependent under age 15, or any other qualifying person who regularly spends at least 8 hours a day in your home.

Medical expenses.—Some dependent care expenses may qualify as medical expenses. If you itemize deductions, you may want to take all or part of these medical expenses on Schedule A (Form 1040). If you cannot use all the medical expenses on Form 2441 because of the dollar limit or earned income limit (explained later), you may take the rest of these expenses on Schedule A. But if you deduct the medical expenses first on Schedule A, you may not use any part of these expenses on Form 2441.

Specific Instructions

Line 2. Dollar limit.—On line 2, enter the amount of qualified child and dependent care expenses you incurred and actually paid in 1987. However, the most you may figure the credit on is $2,400 a year for one qualifying person, or $4,800 a year for two or more qualifying persons. **Do not include amounts paid or incurred by your employer if, and to the extent, such amounts are excluded from your gross income.**

Note: *Do not include on line 2 qualified expenses that you incurred in 1987 but did not pay until 1988. Instead, you may be able to increase your 1988 credit when you pay the 1987 expenses in 1988.*

Line 3. Earned income limit.—The amount of your qualified expenses **may not** be more than your earned income or, if married filing a joint return, the **smaller** of your earned income or your spouse's earned income.

In general, earned income is wages, salaries, tips, and other employee compensation. It also includes net earnings from self-employment. This is usually the amount shown on Schedule SE (Form 1040), line 9.

Unmarried taxpayers.—If you were unmarried at the end of 1987 or are treated as being unmarried at the end of the year, enter your earned income on line 3a.

Married taxpayers.—If you are married, filing a joint return, figure each spouse's earned income separately and disregard community property laws. Enter your earned income on line 3a and your spouse's earned income on line 3b. Then, enter the smaller of the two incomes on line 3c. If your spouse died in 1987, had no earned income, and you file a joint return for 1987, see Publication 503.

Spouse who is a full-time student or is disabled.—If your spouse was a full-time student or was mentally or physically unable to care for himself or herself, figure your spouse's earned income on a monthly basis to determine your spouse's earned income for the year. For each month that your spouse was disabled or a full-time student, your spouse is considered to have earned income of not less than $200 a month ($400 a month if more than one qualifying person was cared for in 1987).

If, in the same month, both you and your spouse were full-time students and did not work, you may not use any amount paid that month to figure the credit. The same applies to a couple who did not work because neither was capable of self-care.

A full-time student is one who was enrolled in a school for the number of hours or classes that the school considers full time. The student must have been enrolled at least 5 months during 1987.

Self-employment income.—You must reduce your earned income by any loss from self-employment. If your net earnings from self-employment are less than $1,600, and you use the optional method to figure your self-employment tax, you may be able to increase your net earnings to $1,600 for this credit. Get **Publication 533,** Self-Employment Tax, for details. If you only have a loss from self-employment, or your loss is more than your other earned income and you do not use the optional method, you may not take the credit.

Line 7.—If you had qualified expenses for 1986 that you did not pay until 1987, you may be able to increase the amount of credit you may take in 1987. To do this, multiply the 1986 expenses you paid in 1987 by the percentage from the table on line 6 that applies to the adjusted gross income shown on your 1986 Form 1040, line 33, or Form 1040A, line 15. **Your 1986 expenses must be within the 1986 limits. Attach a computation showing how you figured the increase.**

Line 8.—In certain cases, the amount of credit you figured on line 8 may be limited. Some taxpayers will need to complete **Form 6251,** Alternative Minimum Tax—Individuals, because the computation of this limit uses an amount from line 15 of that form. Other taxpayers, however, will not be affected by the limit and will not need Form 6251. The following will help you determine if you need Form 6251.

First, complete line 1 of the worksheet below.

Get Form 6251 If:

- You filed Schedule C, D, E, or F (Form 1040); **OR**
- The amount you enter on line 1 of the worksheet below is more than: $112,500 for single or head of household; $150,000 for married filing jointly; or $75,000 for married filing separately.

If **either** of the above applies to you, complete Form 6251 through line 15. Skip lines 2 through 6 of the worksheet and go directly to line A of the worksheet.

If **neither** of the above applies to you, continue with line 2 of the worksheet. You may still need to get Form 6251.

1. Enter the amount from Form 1040, line 22. . . . . . . __________
   (Add to line 1 any tax-exempt interest from private activity bonds issued after August 7, 1986, and any net operating loss deduction.)
2. Enter: $30,000 if single or head of household; $40,000 if married filing jointly; or $20,000 if married filing separately . . . __________
3. Subtract line 2 from line 1. If the result is zero or less, **STOP HERE.** Enter on Form 1040, line 40, the amount of your credit shown on line 8 of Form 2441. Otherwise, go on to line 4 . . . __________
4. Enter the amount from Form 1040, line 39 . . . . __________
5. Multiply line 3 by 21% (.21) . . __________
6. Subtract line 5 from line 4 (if zero or less, enter zero) . . . . . . __________

Compare line 6 of the worksheet with the amount of credit shown on Form 2441, line 8.

- **If line 6 (above) is more than your credit,** you do not have to complete Form 6251. Enter on Form 1040, line 40, the amount of your credit shown on Form 2441, line 8.
- **If your credit is more than the amount on line 6 (above),** get Form 6251 and complete it through line 15. Then figure the limit on your credit as follows:

A. Enter amount from Form 1040, line 39 . . . . __________
B. Enter the amount from Form 6251, line 15 . . . . . . __________
C. **Maximum credit.** Subtract line B from line A (if zero or less, enter zero) . . . . __________

Compare the credit you first figured on line 8 of Form 2441 with line C above. Enter the **smaller** of the two amounts on line 8 of Form 2441, and on Form 1040, line 40. If line C above is the smaller amount, also write "AMT" in the left margin next to line 40.

Form **1040X**
(Rev. October 1981)

Department of the Treasury—Internal Revenue Service

Amended U.S. Individual Income Tax Return

OMB No. 1545-0091

This return is for calendar year ▶ 19 , OR fiscal year ended ▶ , 19 .

Please print or type

Your first name and initial (If joint return, also give spouse's name and initial)	Last name	Your social security number
Present home address (Number and street, including apartment number, or rural route)		Spouse's social security no.
City, town or post office, State, and ZIP code		

Enter below name and address as shown on original return (if same as above, write "Same"). If changing from separate to joint return, enter names and addresses used on original returns. (**Note:** *You cannot change from joint to separate returns after the due date has passed.*)

a. Service center where original return was filed

b. Has original return for the year being changed been audited? . . . . ☐ Yes ☐ No
If "No," have you been advised that it will be? . . . . ☐ Yes ☐ No
If "Yes," identify IRS office ▶

c. Filing status claimed. (**Note:** *You cannot change from joint to separate returns after the due date has passed.*)
On original return . ▶ ☐ Single ☐ Married filing joint return ☐ Married filing separate return ☐ Head of Household ☐ Qualifying Widow(er)
On this return . . ▶ ☐ Single ☐ Married filing joint return ☐ Married filing separate return ☐ Head of Household ☐ Qualifying Widow(er)

Income and Deductions	A. As originally reported or as adjusted (See Instructions)	B. Net change—Increase or (Decrease)—explain on page 2	C. Correct amount
1 Total income (see instructions)			
2 Adjustments to income (see instructions)			
3 Adjusted gross income (subtract line 2 from line 1)			
4 Deductions (see instructions)			
5 Subtract line 4 from line 3 . . . . **Note:** *If this return is for 1977, 1978, 1979, or 1980, and you use the tax tables, do not complete line 6 or take the general tax credit. Instead, skip line 7 and enter on line 8, the tax on the income you reported on line 5.*			
6 Exemptions from page 2, line 5			
7 Taxable income (subtract line 6 from line 5)			
Tax Liability			
8 Tax (see instructions) (method used in column C ....) . .			
9 Credits (such as residential energy credit, credit for the elderly—see instructions) .			
10 Subtract line 9 from line 8			
11 Other taxes (such as self-employment tax, minimum tax—see instructions) . .			
12 Total tax liability (add line 10 and line 11)			
Payments			
13 Federal income tax withheld and excess FICA and RRTA tax withheld . .			
14 Estimated tax payments			
15 Earned income credit			
16 Credits for Federal tax on special fuels, regulated investment company, etc.			
17 Amount paid with Form 2688 or Form 4868 (application for extension of time to file) . .			
18 Amount paid with original return, plus additional tax paid after it was filed . . .			
19 Total of lines 13 through 18, column C			
Refund or Balance Due			
20 Overpayment, if any, as shown on original return (or as previously adjusted by IRS) . .			
21 Subtract line 20 from line 19 (see instructions)			
22 **BALANCE DUE.** If line 12, column C is more than line 21, enter difference. Please pay in full with this return . .			
23 **REFUND** to be received. If line 12, column C is less than line 21, enter difference . . .			

Please Sign Here

Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief this amended return is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which the preparer has any knowledge.

▶ Your signature Date

▶ Spouse's signature (if filing jointly BOTH must sign even if only one had income)

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ▶ ☐	Preparer's social security no.
Firm's name (or yours, if self-employed) and address ▶		E.I. No. ▶	
		ZIP code ▶	

For Paperwork Reduction Act Notice, see page 1 of separate instructions.

BE SURE TO COMPLETE PAGE 2

Part I Exemptions (See Form 1040 or Form 1040A Instructions)

Complete lines 1 through 5 in all cases. Complete lines 6 and 7 only if you claim more exemptions.

	A. Number originally reported	B. Net change	C. Corrected number
1 Exemptions—yourself and spouse, 65 or over, blind			
2 Your dependent children who lived with you			
3 Other dependents			
4 Total exemptions (add lines 1 through 3)			
5 Multiply $1,000 ($750, if 1978 or prior) by the total number of exemptions claimed on line 4. Enter this amount here and, if applicable, on page 1, line 6			

6 Enter first names of your dependent children who lived with you, but were not claimed on original return:

Enter number ▶ ☐

7 Other dependents not claimed on original return:

(a) Name	(b) Relationship	(c) Number of months lived in your home	(d) Did dependent have income of $1,000 ($750, if 1978 or prior) or more?	(e) Did you provide more than one-half of dependent's support?

Enter number ▶ ☐

Part II Explanation of Changes to Income, Deductions, and Credits

Enter the line reference from page 1 for which you are reporting a change and give the reason for each change. Attach applicable schedules.

If the change pertains to a net operating loss carryback, an investment credit carryback, a WIN credit carryback, or a jobs credit carryback . . . Check here ▶ ☐

Part III Presidential Election Campaign Fund

Checking below will not increase your tax or reduce your refund.

If you did not previously want to have $1 go to the fund but now want to . . . Check here ▶ ☐

If joint return and if spouse did not previously want to have $1 go to the fund but now wants to . . . Check here ▶ ☐

☆ U.S. GOVERNMENT PRINTING OFFICE: 1981—O-343-445 58-040-1110

PA-40 (9-87)

COMMONWEALTH OF PENNSYLVANIA
Individual Income Tax Return
For the taxable year January 1 — December 31, 1987

☐ Fiscal Year Filer For Taxable Year Beginning ________ 1987, Ending ________, 198__.

☐ Request for Extension Attached

PA 40

1987

OFFICIAL USE ONLY

PLEASE PRINT OR TYPE

YOUR SOCIAL SECURITY NUMBER	SPOUSE'S SOCIAL SECURITY NUMBER (Even if filing separate return)
Last Name	First name and initial (if joint return, enter both names)
Home Address	
City or Post Office / State / Zip Code	
☐ Check here if this is a change of address from last year's return	TELEPHONE NUMBER ( )
School District Name (as of December 31, 1987)	CODE (see pages 7 and 8)

FILING STATUS: (Check One)
S ☐ Single
J ☐ Married, Filing Joint Return
M ☐ Married, Filing Separate Return
Name of Spouse
F ☐ Deceased, Filing Final Return
Date of Death ________

Occupation:
Your ________
Spouse's ________

RESIDENCY STATUS: (Check One)
R ☐ Resident
P ☐ Part-Year Resident — From ________ To ________
N ☐ Nonresident ________ Name of State

OFFICIAL USE ONLY

ATTACH CHECK OR MONEY ORDER HERE

Section	Line			Notes
Income	1a. GROSS COMPENSATION (Wages, salaries, tips, etc.)	1a		THIS RETURN MUST BE FILED ON OR BEFORE APRIL 15, 1988
	1b. LESS EXPENSES FROM SCHEDULE UE	1b		
	1c. TAXABLE COMPENSATION (line 1a less line 1b) ATTACH COPY OF W-2'S TO BACK OF THIS FORM		1c	
	2. NET PROFITS FROM BUSINESS, PROFESSION OR FARM (Complete Schedule C or F)		2	
	3. INTEREST (Complete Schedule A if over $400)	3		BE SURE TO COMPLETE SCHOOL DISTRICT DATA
	4. DIVIDENDS (Complete Schedule B if over $400)	4		
	5. Add lines 3 and 4 ONLY		5	
	6a. SALE OR EXCHANGE OF PROPERTY (Complete Schedule D)	6a.		
	6b. AMOUNT OF EXCLUSION CLAIMED FROM GAIN ON A PRINCIPAL RESIDENCE FROM PA-19 (Enter amount only. Do not add or subtract line 6b.)		6b.	
	7. RENTS, ROYALTIES, PATENTS AND COPYRIGHTS (Complete Schedule E)	7		ATTACH COPIES OF ALL W-2's TO BACK OF RETURN
	8. ESTATES OR TRUSTS (Complete Schedule J)	8		
	9. GAMBLING AND LOTTERY WINNINGS	9		
	10. Add lines 6a, 7, 8 and 9 ONLY		10	
	11. PENNSYLVANIA TAXABLE INCOME (Add lines 1c, 2, 5 and 10)		11	
Tax	12. TAX LIABILITY — 2.1% OF LINE 11 (Multiply line 11 by .021)		12	
Tax Credits	13. TOTAL PA. INCOME TAXES WITHHELD (From Attached W-2's)	13		OFFICIAL USE ONLY
	14. PA. ESTIMATED TAX PAYMENTS (Include extension payments and allowed credit from 1986 return)	14		
	15a. TAXES PAID BY PA. RESIDENTS TO OTHER STATES (Complete Schedule G)	15a		
	15b. TAX FORGIVENESS CLAIMED ON SCHEDULE SP (Complete Schedule SP and lines 20a and 20b below)	15b		
	15c. EMPLOYMENT INCENTIVE PAYMENT CREDIT (Complete PA Schedule W)	15c		
	16. TOTAL CREDITS (Add lines 13, 14, 15a, 15b and 15c)		16	
Tax Due or Overpayment	17. If line 12 is greater than line 16 enter the difference. This is the TAX DUE. Make checks payable to PA Department of Revenue		17	
	18. If line 16 is greater than line 12 enter the difference. This is the OVERPAYMENT		18	
	19. Amount of Line 18 to be: (a) REFUNDED (Allow at Least Six Weeks for Refund Checks)	19a		Write Social Security Number on check or money order.
	(b) CREDITED ON 1988 ESTIMATED TAX	19b		The total of lines 19a, 19b, 19c and 19d cannot exceed line 18
	(c) DONATED TO WILD RESOURCE CONSERVATION FUND	19c		
	(d) DONATED TO UNITED STATES OLYMPICS COMMITTEE, PENNSYLVANIA DIVISION	19d		
Sch. SP	YOU MUST COMPLETE 20a AND 20b IF SCHEDULE SP IS USED			
	20a. NUMBER OF DEPENDENTS CLAIMED ON SCHEDULE SP		20a	
	20b. TOTAL INCOME AS REPORTED ON SCHEDULE SP line 8		20b	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete.

Sign here

➡ ________________ Your signature / Date

➡ ________________ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

( ) ________________ (Telephone No.)

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➡ ________________ Signature of preparer, other than taxpayer, based on all information on which he has any knowledge / Date

1987

ALLOWABLE BUSINESS EXPENSES

Expenses for which you are not reimbursed by your employer.

Attach a separate UE-2 to form PA-40 for each employer.
Print or type all information.

SCHEDULE UE-2 (9-87)

DEPARTMENT OF REVENUE

Name as shown on form PA-40

Social Security Number

Employer's Name

Employer's Address

Job Description In Which Expenses Were Incurred

Employer's Telephone No. (   )

PART A: UNION DUES (Name and amount)	A		
PART B: WORK CLOTHES AND UNIFORMS (If required as a condition of employment and not suitable for every day use)	B		
PART C: SMALL TOOLS AND SUPPLIES (Required by your employment and not supplied by your employer)	C		
PART D: PROFESSIONAL LICENSE FEES AND INSURANCE (Required as a condition of your employment)	D		
TOTAL EXPENSES OF PARTS A THROUGH H. (REPORT ON LINE 1b of PA-40)	1		

Special Tax Provisions Schedule

(DO NOT FILE IF A DEPENDENT)

Print or type all information.

SCHEDULE SP

DEPARTMENT OF REVENUE

A

1. Are you a dependent spouse or child? ☐ Yes ☐ No
2. Are you claimed as a dependent on your spouse's Schedule SP? ☐ Yes ☐ No
3. Are you being claimed as a dependent child for Federal tax purposes? ☐ Yes ☐ No

If you answered "Yes" to questions 1, 2 or 3, DO NOT FILE A SCHEDULE SP

4. Are you a student? ☐ Yes ☐ No
5. If married, is your spouse filing a Schedule SP? ☐ Yes ☐ No
6. Are you a widow/widower? ☐ Yes ☐ No

B

1. Total number of dependent children in family ____________

List below all dependents you are entitled to claim. DO NOT INCLUDE YOURSELF. (Additional information may be attached on a separate sheet)

DEPENDENTS

DEPENDENT'S NAME	AGE	RELATIONSHIP (Spouse or Child)	SOCIAL SECURITY NUMBER

Enter here and on line 20a of PA-40 total number of dependents you are entitled to claim .... ____________

2. Total Other Income from line C 7 of SP Worksheet:

Claimant $ ____________________ Spouse $ ____________________

C

If married, complete Columns A & B. When claiming tax forgiveness, both spouses must file separate PA-40's if each has taxable income.

ELIGIBILITY INCOME DETERMINATION

		COLUMN A CLAIMANT'S INCOME	COLUMN B SPOUSE'S INCOME
1. TOTAL TAXABLE INCOME FROM LINE 11 OF FORM PA-40	1		
2. NONTAXABLE INTEREST, DIVIDENDS AND GAINS (Worksheet line B2)	2		
3. ALIMONY/CHILD SUPPORT (Worksheet line B3)	3		
4. LIFE INSURANCE AND INHERITANCE PROCEEDS (Worksheet line B4)	4		
5. GIFTS, AWARDS AND PRIZES (Worksheet line B5)	5		
6. NONRESIDENT INCOME (Worksheet line B6)	6		
7. ALL OTHER INCLUDABLE INCOME (Worksheet lines B1 and B7 through B10)	7		

D

FORGIVENESS COMPUTATION

8. TOTAL INCOME — LINES 1 THROUGH 7 ABOVE (Enter Claimant's Total Income in Column A and on line 20b of PA-40)	8		▨
9. PENNSYLVANIA PERSONAL INCOME TAX (From line 12 of form PA-40)	9		▨
10. LESS TAXES PAID TO OTHER STATES (Line 15a, form PA-40)	10		▨
11. SUBTRACT LINE 10 FROM LINE 9 AND ENTER DIFFERENCE	11		▨
12. PERCENTAGE OF FORGIVENESS (See Income Table for decimal equivalent)	12		▨
13. AMOUNT OF SPECIAL TAX FORGIVENESS (Multiply line 11 by line 12) Enter here and on line 15b of PA-40	13		▨

ATTACH ALL COPIES OF W-2's HERE

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PENNSYLVANIA LOTTERY
Benefits Senior Citizens

1987

PA-1000 (9-87)

BULK RATE
U.S. POSTAGE
PAID
COMMONWEALTH OF
PENNSYLVANIA
DEPARTMENT OF
REVENUE

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF REVENUE

PROPERTY TAX OR RENT REBATE PROGRAM

P.O. BOX 2780, HARRISBURG, PA 17105-2780

Please Type or Print

A Please do not remove label.
Make corrections on label if one is provided.

Your Social Security No.	Spouse's Social Security No.
Claimant's Last Name	First Name and Initial
Home Address	
City or Post Office	State / Zip Code

Claimant's Birthdate Month Day Year	Claimant's Phone Number ( )	County
Spouse's Birthdate Month Day Year	Spouse's First Name and Initial	Check here ☐ If Spouse is Deceased

B This Claim Form Must be Filed by June 30, 1988.

1. I am filing for a rebate as a: (check one)
   - P. ☐ Property Owner (Include a copy of your receipt for 1987 property tax bills.)
   - R. ☐ Renter (See instructions page 10.)
2. I certify that I am: (check one)
   - A. ☐ A Claimant, age 65 or older as of December 31, 1987.
   - B. ☐ A Claimant under 65 with a spouse age 65 or older who resided in the same household as of December 31, 1987.
   - C. ☐ A Widow or Widower, age 50 to 64 as of December 31, 1987.
   - D. ☐ Permanently disabled and age 18 to 64 during 1987.
3. Have you received property tax or rent rebate checks in the past? ☐ Yes ☐ No

If "no," you must send proof of your age. If you are filing because you are disabled, you also must send proof of your permanent disability. Do Not Send Original Proof Documents.

C List Below ALL Income Received by You and Your Spouse During the Entire Year

			Official Use Only
4. Social Security, SSI Payments and Railroad Retirement Benefits	4		
5. Pensions and Annuities	5		
6. Interest, Dividends and Capital Gains	6		
7. Net Rental Income (Complete Schedule E, and attach a profit and loss statement.)	7		
8. Net Business Income (Complete Schedule E, and attach a profit and loss statement.)	8		
9. Other Income (such as wages, cash public assistance, unemployment compensation, gifts totaling more than $300, life insurance death benefits exceeding $5,000)	9		
10. Total Income of Claimant and Spouse (Add lines 4 through 9. Total income may not exceed $15,000.)	10		
11. Amount of 1987 Property Taxes or Rent Paid for Residence (Attach receipted county, school district and municipal tax bills or rent certificate.)	11		
12. Rebate Percentage Factor (If owner, see Table "A" on page 9. If renter, see Table "B" on page 9.)	12		
13. This is your Property Tax or Rent Rebate (Multiply line 11 by line 12, and enter that result or $500, whichever is less.)	13		

D An excessive claim made with fraudulent intent will subject the claimant to a penalty of 25% of the entire amount claimed. The claimant shall be guilty of a misdemeanor punishable by a fine up to $1,000 and/or imprisonment for up to one year upon conviction.

CLAIMANT: I declare that this claim is true, correct and complete to the best of my knowledge and belief, and this is the only claim filed by members of my household.	PREPARER: I declare that I prepared this return and that it is to the best of my knowledge and belief, true, correct and complete.
Claimant's Signature (Claimant Must Sign) Date ➡	Preparer's Signature (If Other than Claimant) Date
Witnesses' Signatures 1.	Preparer's Phone Number ( )
2.	Witnesses' Signatures are necessary only when claimant makes a mark (X)
Name of Claimant's Nearest Relative	Home Address of Claimant's Nearest Relative
Telephone No. of Claimant's Nearest Relative ( )	City or Post Office State Zip Code

Appendix C

Department of Revenue
District Offices

DEPARTMENT OF REVENUE DISTRICT OFFICES

If you need help or more information, call or visit the nearest Department of Revenue District Office listed below. The District Office also may be able to refer you to a temporary office located nearer to your home. Please call the number listed to verify the location of an office.

Altoona
Cricket Field Plaza
615 Howard Avenue
Altoona, PA 16601-4867
(814) 946-7310

Bethlehem
528 North New Street
Bethlehem, PA 18018-5790
(215) 861-2000

Bradford
86 Boylston Street
Second Floor
Bradford, PA 16701-2011
(814) 368-7113

Doylestown
1661 Easton Road
Warrington, PA 18976-1291
(215) 443-2990

Erie
Sumner Nichols Building
Room 216
155 West Eighth Street
Erie, PA 16501-1012
(814) 871-4491

Greensburg
Midtown Plaza
Second Floor
450 S. Main Street
Greensburg, PA 15601-3097
(412) 832-5283

Harrisburg
Taxpayer Services
Strawberry Square
Harrisburg, PA 17127-0001
(717) 787-8201
Forms Only
(717) 787-8094

Indiana
827 Water Street (Rear)
Indiana, PA 15701-1799
(412) 357-7600

Johnstown
Central Park Commons Bldg.
2nd Floor
430 Main Street
Johnstown, PA 15901-1823
(814) 533-2495

Lancaster
228 East Orange Street
Lancaster, PA 17602-2991
(717) 299-7581

New Castle
101 S. Mercer Street
Room 201
New Castle, PA 16101-3837
(412) 656-3203

Newtown Square
90 S. Newtown Street Road
Suite 1
(Route 252)
Newtown Square, PA 19073-4092
(215) 353-4051

Norristown
2450 A. (Rear) West Main Street
Norristown, PA 19403-3066
(215) 270-1780

Oil City
214 Center Street
Oil City, PA 16301-1438
(814) 676-5601

Philadelphia
State Office Building
Room 201
1400 W. Spring Garden Street
Philadelphia, PA 19130-4088
(215) 560-2056
Forms Only (215) 560-2065

Pittsburgh
State Office Building
Room 104
300 Liberty Avenue
Pittsburgh, PA 15222-1210
(412) 565-7540
Forms Only (412) 565-3601

Pottsville
110 East Laurel Blvd.
Pottsville, PA 17901-2527
(717) 621-3175

Reading
625 Cherry Street
Reading, PA 19602-1152
(215) 378-4401

Scranton
100 Lackawanna Avenue
Room 318
Scranton, PA 18503-1970
(717) 963-4585

Sunbury
335 Market Street
Sunbury, PA 17801-3466
(717) 286-4528

Washington
Ruetom Plaza
First Floor
Suite 100
2800 North Main Street
Washington, PA 15301-6175
(412) 223-4550

Wilkes-Barre
290 S. Pennsylvania Blvd.
Suite 261
Wilkes-Barre, PA 18701-3398
(717) 826-2466

Williamsport
322 Locust Street
Williamsport, PA 17701-6085
(717) 327-3475

York
130 North Duke Street
Second Floor
York, PA 17401-1113
(717) 845-6661

Research Sources

Commonwealth of PA., Department of Revenue - PA-40, 1987

Commonwealth of PA., Department of Revenue - PA-1000, 1987

Federal Tax Course, Commerce Clearing House, 1988

Price Waterhouse Guide to the New Tax Law, 1986

Small Business Tax Workbook, Department of Treasury, I.R.S. Pub. 1066, (REVP 5-87)

Understanding Taxes, Department of Treasury, I.R.S., 1987

Volunteer Assistor's Guide, Department of Treasury, I.R.S., Pub. 678 (REVP 10-86)

Your Federal Income Tax Pub. 17 Department of Treasury, I.R.S., 1987